

Prospect of Iraqi sales hits oil price

By Robert Corzine and Roger Matthews, Middle East Editor

Oil prices tumbled to new five-year lows yesterday as markets took fright at reports that Iraqi oil exports could resume earlier than expected. The price of the benchmark Brent Blend broke through the psychological barrier of \$14 a barrel, to touch a low of \$13.65 a barrel. It later recovered in late London trading to \$13.85, but sentiment remained bearish, according to traders.

The price slide was exacerbated by news that the main Russian Black Sea oil export terminal at Novorossiysk had reopened after being closed for three weeks by bad weather. Its closure had been one of the few factors underpinning prices. The main reason for yesterday's fall, however, was a report that Iraq had shown some flexibility in accepting UN terms for lifting, at least partly, the embargo on oil exports.

The possibility of resumed Iraqi exports at a time of plentiful supplies and weak prices has been a factor behind the 25 per cent slide in oil prices over the past year.

One Gulf Arab official yesterday complained that none of the recent reports about the return of Iraqi exports has proved true. But "the market appears to be reacting to head-

lines rather than hard information," he said.

The UN Special Commission (Unscop) said last week that by accepting its weapons monitoring programme Iraq had removed the "major remaining obstacle" on weapons requirements which are linked to the oil embargo in force since Iraq's 1990 invasion of Kuwait. But it gave no indication how long Unscop will take to finish its work, and inspectors have not precluded the possibility of turning up evidence not previously detected. The next inspection team is unlikely to visit Iraq before February and Mr Rolf Eken, who heads the commission, has suggested it would take at least another six months from then to complete its work.

Even then there would be powerful political opposition to lifting oil sanctions while President Saddam Hussein remains in power. President Clinton is expected to cite other examples of Iraq's aggressive intentions to justify the retention of sanctions.

Gulf countries, such as Saudi Arabia and Kuwait, would also argue that lifting the embargo would be a reward for an unrepentant Iraq, which has recently repeated its claim to Kuwait and attempted to create tension on the border.

Election puts lira under pressure

By Robert Graham in Rome

Nervousness in the financial markets over the outcome of Sunday's run-offs in local elections put the lira under pressure again yesterday.

The lira has been unsettled throughout the week both because of continuing political uncertainties and of doubts about the Ciampi government's ability to push the 1994 budget through parliament.

Yesterday the lira was being traded below the psychological barrier of 1,000 to the D-Mark, but then recovered to 1,008.

The slight improvement was attributed to signs that the government had agreed how to tackle the 2,500 amendments tabled to the budget. This has increased the likelihood that the legislation, reducing the public sector deficit in 1994 to 3.7 per cent of gross domestic product, would be approved before Christmas.

However, the likely result in Sunday's local elections remained far from clear yesterday as the campaign closed. Opinion polls suggested candidates backed by alliances sponsored by the former communist Party of the Democratic Left (PDS) would do well. But in Naples and Rome they are being closely challenged by the neo-fascist MSI.

In either event the result will provide a further big shake-up in Italy's political landscape against the backdrop of early elections next spring. The first round on November 21 saw the collapse of the vote for the long ruling Christian Democrats and their allies.

Sunday's elections cover almost 450 towns and cities and involve 110 voters, nearly a quarter of the electorate.

The focus has been on Naples and Rome where the neo-fascist MSI has run a strong campaign picking up votes from the centre parties - especially the Christian Democrats and Socialists.

● The hallowed institution of journalistic expenses has come under the microscope of magistrates in Italy.

Yesterday Rome magistrates notified 22 journalists and technicians working for the RAI, the state-run television network, that there were under investigation for alleged fraud for some L250m (£100,000).

The move follows detailed inspection by television crews covering trouble-spot news in former Yugoslavia and Somalia. It came on the day when the new RAI management unveiled unpopular news that the traditional Christmas bonus of an extra month's pay, due in early December, would be held over until the end of January to save L400m to pay suppliers.

The RAI is likely to lose L500m this year and is in danger of being put into liquidation.

Poll surge by Russian extremists feared

By John Lloyd in Moscow and Chrystia Freeland in Krasnoyarsk

Reformist parties fighting Russia's parliamentary elections on December 12 are seriously concerned that a late surge by extremists will give a large share of seats to communist and neo-fascist deputies.

Mr Anatoly Sobchak, mayor of St Petersburg and the veteran democrat who now leads the Movement for Democratic Reform - one of the four reformist parties - said yesterday there was now a "very grave threat" from the communists and even more from the neo-fascist Liberal Democratic Party, led by Mr Vladimir Zhirinovskiy.

Mr Sobchak, who was campaigning in Krasnoyarsk, said the communists might take 10 per cent of the seats.

He said an agreement had been reached between the four reformist parties - Russia's Choice, the Party of Unity and Consent, the "Yabloko" group and his own - to withdraw candidates where it was clear one of the four was leading. This followed a call for co-operation made by Mr Yegor Gaidar, leader of Russia's Choice.

However, it is far from clear that the democratic blocs can reach an effective agreement not to split their votes, and Mr Sobchak said the leadership of the four parties would meet early next week to attempt to impose discipline on their often independent-minded and inexperienced local organisations.

The Russian Communist Party yesterday took part in a convention of centrist and far-left and right-wing groups held to oppose the draft Russian constitution, which will be voted on in a referendum at the same time as the parliamentary elections. The communist party is consistently scoring around 8 per cent in the polls and the Liberal Democrats have surged from under 2 per cent to around the same levels.

The polls all show as much as half of the electorate still undecided, while party leaders touring the country have consistently remarked on the strength of feeling for Mr Zhirinovskiy, whose populist style has gone down well on TV.

A spokesman for the "Yabloko" group said last night that the four-party agreement was only at regional level and no decision had been taken to agree a share-out of constituencies at national leadership level.

Mr Arkady Murashov, one of the leaders of Russia's Choice, confirmed that the four parties would meet next week.

Russia's Choice, the main reformist group, has been given in the last few days with discussion between its leading members.



Members of a crack police unit on the roof of the building where Pablo Escobar was killed. Right: the drug baron's body is carried from the roof

DEATH OF ESCOBAR WILL HASTEN DRUG CHIEFS' SURRENDER

THE death of Pablo Escobar, chief of the Medellin cartel, does not mean that drug trafficking has ended in Colombia, though it marks a major step forward, President Cesar Gaviria said yesterday, Sarita Kendall writes

from Bogota.

"The fight against terrorism has not finished, an enormous challenge lies ahead," he said in a television broadcast.

But Escobar's death should hasten

the surrender of rival traffickers, and representatives of some of the top Cali smugglers, rivals to the Medellin cartel, have apparently been in contact with the prosecutor general's office to discuss terms.

Legislation passed recently by the Colombian Congress makes the government's surrender programme even more attractive than before, with the possibility of serving minimal sentences under house arrest.

Clinton welfare reform plan comes under fire

By George Graham in Washington

The Clinton administration is nearing completion of its welfare reform plan but already faces controversy over how to pay for the changes.

While officials believe the plan will eventually save money by encouraging people

out of the welfare system and into the workplace, it will require considerable government spending to provide training, job schemes, child-care and medical coverage.

Proposals to pay for these measures by cutting other programmes have already drawn scepticism from members of Congress who feel there is

little fat left to be used in the system, but the administration is nervous about any semblance of a tax increase to pay for the reforms.

President Bill Clinton said yesterday he was encouraged to believe that a bipartisan welfare reform plan could be achieved by a counter-proposal from Republicans in Congress.

"I don't agree with all of it, but there are some very good ideas in it," he said. "We are moving toward making welfare a second chance, not a way of life."

Mr Clinton's plan, like the Republican proposal, would require welfare recipients who have spent more than two years on the welfare rolls to

work in return for their benefits.

But debates have been vigorous on how severely the cut-off of benefits should be applied, how the work requirement should be enforced, and how long people could remain in government-run job schemes before being abandoned altogether.

Caracas coup talk brings US warning

By Joseph Mann in Caracas

Venezuela's 1993 presidential campaign ended yesterday amid rumours of a military uprising and a warning from the Clinton administration that a coup would bring serious consequences.

The country is to vote tomorrow for a new president, the 235 members of congress and 362 state legislators.

The US, concerned at the coup rumours and a recent wave of terrorist bombings, sent its assistant secretary of state for inter-American affairs, Mr Alexander Watson, to Caracas to warn that any non-democratic government would face an economic embargo and other sanctions. Venezuela depends heavily on oil exports to the US.

The leading presidential contender is Mr Rafael Caldera, 77, who was president from 1989 to 1994.

Mr Caldera, who is running as an independent, has been a strong critic of free market reforms and privatisation.

Last year saw two failed coups and hostility to free market reforms.

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India urged to safeguard local industry

By Stefan Wagstyl
in New Delhi

Indian industrialists yesterday urged the government to safeguard the interests of domestic companies when opening up the economy to foreign investors.

Import duties should be cut "gradually" to protect domestic industry and special temporary duties should be introduced to insulate Indian companies from violent swings in international prices, says the Federation of Indian Chambers of Commerce and Industry, a national employers' organisation, in a formal pre-budget report to the government.

The federation says Indian groups should not be obliged to compete at a disadvantage to foreign groups and need a "level playing ground".

The federation's call echoes the fears expressed by an informal group of conservative industrialists called the Bombay Club, who have already conveyed their worries to the government.

The industrialists' concerns have surfaced at a time when multinational groups have started making high-profile investments in India in the wake of the government's economic reforms. The purchase by Coca Cola, the US soft drinks group, of Parle, India's leading cola maker, prompted suggestions from some critics that Indian industry faces a mass takeover.

The federation's report carries proposals for changes in tax, trade and financial regulations which Indian companies feel discriminate against domestic groups.

In its most controversial, protectionist-sounding suggestion, the report demands planned cuts in import duties should continue but should be

"gradual keeping in view the interests of the indigenous industries." It also wants duties to be lowest on raw materials and highest on finished goods to give "the requisite support to the domestic industry."

The federation calls for stronger anti-dumping measures and a new "regulatory duty" which would be imposed for limited periods on imports when international prices fall sharply to allow Indian industry to adjust.

The report says corporate tax rates in India, which range between 51.75 per cent and 57.5 per cent, are higher than rates in other countries. Foreign financial institutions investing in India enjoy special low rates of capital gains tax of 10 per cent on long-term gains (against 40 per cent for domestic companies) and of 25-30 per cent on short-term gains (compared with 51.75 per cent).

The federation says interest rates should be cut from the current range of 17-23 per cent to 10 per cent, nearer international levels. It wants an end to restrictions on inter-company loans and investments and on the use of shares as security for loans.

The report said: "Unless the reform measures are properly sequenced and a level playing ground is provided to the domestic industry, the national economy will face serious adverse impact."

Exports in October grew 15.2 per cent to \$1.7bn, extending a surge which started at the beginning of the financial year in April, according to figures published yesterday. But the pace of growth has fallen from an average of 21 per cent in the six months to September. Imports remained flat due to continued stagnation in Indian industry.

Malawi troops attack military wing of party

By Nicholas Young in Lilongwe

The Malawian army yesterday stormed the national headquarters and district offices of the Malawi Young Pioneers, the paramilitary wing of the ruling Malawi Congress Party.

The national offices of the Congress Party were also stormed with gunfire, ransacked and looted by army personnel.

Thousands of civilians took to the streets of the capital cheering the army and shouting: "No more Banda, no more Tembo, no more Chakumbwa" - a reference to former president for life Dr Hastings Banda and two members of a presidential council that has shared executive power since Dr Banda's collapse with a stroke in October.

Casualties appeared relatively light in view of the scale of the operation. The central Lilongwe hospital said 21 people had been admitted with serious injuries by early afternoon, and there were two confirmed deaths. But Red Cross workers said they had yet to remove dead and injured from Youth House and other Pioneer bases.

A National Consultative Council, charged with overseeing Malawi's transition to democracy following a referendum

dum in June in which Malawians voted to switch to a multi-party system of politics, and comprising opposition and government representatives, called two months ago for the disarming of the 2,000-strong Pioneers.

Opposition members of the Council have since accused the government of dragging its feet over the issue.

The government has pleaded the need to integrate the Pioneers into the national security forces. Tensions between the Pioneers, police, and the politically neutral army have been longstanding.

It is unclear how far up the army hierarchy the orders to attack originated.

The operation began when a unit of 200 soldiers assaulted Youth House, the Lilongwe headquarters of the Pioneers.

Armed Pioneers initially returned fire but resistance collapsed within minutes. Two army helicopters circled low overhead, apparently in support of the attack.

Gunfire had died down in the city by late afternoon, although civilian looting of commercial and government premises had begun.

At the national headquarters of the Malawi Congress Party, soldiers were systematically removing anything of value.

In peace as in war Israel outplays the Arabs

As Arafat's supporters lose confidence, Rabin has the upper hand, writes Roger Matthews

Middle East peace talks at an impasse, violence in the occupied territories, Jewish settlers on the rampage, and Mr. Warren Christopher, the US secretary of state, damping hopes for his visit to the region which began last night. It all strikes a depressingly familiar note, coming so soon after the euphoria created by Israel and the Palestine Liberation Organisation when they signed their declaration of principles in Washington on September 13.

But although the danger is growing that the two sides will fail to meet their first deadline, a week on Monday, for implementing the initial stage of the outline peace accord, the appearances are probably worse than the reality.

By December 13, Israel and the PLO are supposed to have agreed a range of issues which would permit the start of an Israeli troop withdrawal from much of the Gaza Strip and an area around the West Bank town of Jericho. "It is a sacred date. They must respect it, or the whole peace process will be affected," Mr. Yasser Arafat, the PLO chairman, said in Copenhagen this week. From his headquarters in Tunis came the warning that negotiations over the extent of the Israel

withdrawal had reached an impasse, and US help was needed to rescue the process.

Mr. Yitzhak Rabin, Israel's prime minister, appears less concerned, probably because he understands Mr. Arafat's negotiating techniques and realises how little room the PLO leader has for manoeuvre.

In London on Thursday, Mr. Rabin said he would like to meet the deadline, but preferred to let it slip by a few weeks if that meant they would achieve a precisely defined deal. Israel, he said, would stick by its commitment to complete the first stage of withdrawal by the next target date of April 13.

Time, however, has always been a luxury for peace-makers in the Middle East. Fifteen Israelis and 31 Palestinians have died violently since Mr. Rabin and Mr. Arafat shook hands on the south lawn of the White House, and many more have been wounded. Opponents of the agreement will be encouraged by the latest difficulties, and cynics among Palestinians in the territories about Israel's true intentions are bound to increase if the troop withdrawal does not begin on schedule.

The danger was clear from the outset. Mr. Arafat and Mr. Rabin both gambled on being able to carry with them the biggest part of their domestic constituencies. The Israeli leader's calculations were the more finely honed. He wrong-footed his right-wing opponents, achieved swift parliamentary endorsement for his actions, and retains public credibility for his determination to stand firm on security issues. Even so, the latest poll in Israel shows support for the peace process down to 43 per cent, a fall of over 20 per cent since September, and opposition rising at 47 per cent.

Mr. Arafat was meanwhile busy embellishing his already well-practised impersonation of Houdini by not only escaping from the consultative chains with which fellow Palestinians sought to bind him, but also simultaneously ignoring the agreement with the Syrians, Jordanians and Lebanese that no one Arab partner would do a separate

deal with the Israelis.

For several months before September 13, Palestinian discontent with Mr. Arafat had been approaching a crescendo, not least among those representing the PLO at the Washington negotiations. Resignations were in the air and the accusations were myriad. Mr. Arafat was said, not for the first time, to be alternately autocratic and indecisive, and unwilling to consult with any but his closest colleagues. He stood accused of bringing the PLO to the verge of financial ruin, and of coming close to wrecking the entire organisation. Those accusations are still rife today.

But just as his leadership looked to be tottering, he made his dramatic deal with Israel, appeared in Washington, was praised by President Clinton, welcomed on Capitol Hill, and promised Palestinians a future state with Arab east Jerusalem as its eternal capital. It was gripping theatre, but the plot had only a beginning, followed by an ill-defined series of subsequent acts, and an ending on which the authors, not to mention the other actors, profoundly disagreed.

Getting from the starting point to the conclusion of an interim five-year period of Palestinian self-rule, during which the final status of the territories would be agreed, was always going to be a Herculean task. Mr. Yossi Beilin, Israel's deputy foreign minister and a central figure in the process, speculated last month that it might have been easier to have started with an agreement on how the drama would end, and then work backwards to the White House lawn.

There is weight to his argument, more so from the Palestinian perspective. Rifts within the wider Palestinian community have been widened by the long wait for tangible results of the peace accord to be seen in the territories, and by the still uncertain conclusion of the process.

While the peripatetic Mr. Arafat continues to be feted in world capitals (yesterday it was Gabon), the skilled negotiators needed to do the difficult, detailed work have tended to be ill-prepared and poorly

briefed. The assumption of PLO headquarters in Tunis that it knows best is causing increasing resentment among those in the territories whose leadership role grew during the five-year uprising against Israeli occupation.

Those concerns have been exacerbated by fears Israel is seeking to dominate the economic future of the Palestinians. In the short term there is resentment at Israel's efforts to play a key role in the disbursement of the \$2bn in aid pledged by the international community towards rebuilding the infrastructure of the occupied territories, and in the longer term by its statements on the inevitability of a dependent Palestinian role.

Palestinian commentators, an increasing number of whom have turned against Mr. Arafat, delight in mocking his dilemma. "Can a warrior negotiate as he surrenders?" wrote one this week, suggesting that Mr. Arafat can only meet the December 13 deadline by giving way to Israeli demands. Mr. Rabin has to decide in the next few days how much of a lifeline, if any, he needs to throw Mr. Arafat to prevent a further erosion of Palestinian aid, ultimately, Israeli support for their joint initiative.



A South Korean opposition party MP clamps his hand over the mouth of ruling party member Mr. Kim Woon-han in scuffles at Seoul's national assembly as the ruling party attempted to railroad next year's budget through the parliament.

N Korea nuclear deadline extended

South Korea's foreign minister said yesterday North Korea would be given more time to solve its dispute over nuclear inspections, even if the International Atomic Energy Agency (IAEA) declares that Pyongyang is in violation of nuclear safeguards, writes John Burton in Seoul.

The US and South Korea have previously stated that the North Korean nuclear issue would be transferred to the United Nations Security Council once the IAEA declared that the continuity of its inspections of the North's nuclear facilities had been broken. The UN would then consider imposing economic sanctions on Pyongyang.

Mr. Han Hui, the IAEA director general, said on Thursday that the continuity of the inspection regime was close to being broken. He is expected to deliver a report on North Korean nuclear issue to the Security Council next week.

Mr. Han Sung-joo, the South Korean foreign minister, said the timing of the UN involvement depended not only on technical factors, such as an IAEA declaration that its safeguards on North Korean are broken, but also on diplomatic developments.

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Japan sees end to growth in trade surplus

By William Dawkins in Tokyo

Growth in Japan's politically controversial current account surplus is near an end, the finance ministry said yesterday.

Annual growth in the surplus slowed to 1.4 per cent in October to \$11.25bn, after a 10.2 per cent rise the previous month, the ministry announced. That represented a 8.9 per cent decline from September's \$13.3bn surplus.

Exports were stagnant or slightly down - depending on the sector - while imports rose. "It appears that the yen-based surplus is now in a shrinking trend and the dollar-based surplus is likely to hit a ceiling," said an official.

Overall, exports rose slightly from \$30.1bn from October 1992 to \$30.32bn in the same month this year, while imports increased more strongly from \$17.15bn to \$17.89bn.

This could help to reduce the

yen's value, given the depth of Japan's recession, so easing the pressure on the country's exporters, said economists.

That would be welcome news for prime minister Morihiro Hosokawa as his government works overtime to put together another economic stimulus package.

Coalition members are aiming to finalise details of such a package by early next week. However, Mr. Hirohisa Fujii, the finance minister, yesterday cast uncertainty over the timing by saying that the government must first pass a supplementary budget, to fund the previous package.

A senior official of the government's Economic Planning Agency yesterday admitted that the economy could shrink this year. Mr. Tsutomu Tanaka, the agency's vice minister, expected something between a slight decline and 1 per cent growth in gross national product.

Former Sumitomo bank chief dies

By Emiko Terazono in Tokyo

Mr. Ichiro Isoda, former chairman of Sumitomo Bank who was forced to resign following an illegal loan scandal and his involvement with stock and property speculators, died yesterday. He was 80.

Better known as the "Emperor" of Sumitomo, he fell from grace in 1990 after six years as president and seven years as chairman. He was personally responsible for Sumitomo's emergence as Japan's top profit making bank in the late 1980s, aggressively expanding operations using cheap credit. However, Mr. Isoda was also widely believed to be the force behind the bank's involvement with real estate and stock speculators. Sumitomo made large loans to Ito-

ing bad loans and was taken over by a Sumitomo group company earlier this year.

An arrest of a former Sumitomo manager on alleged illegal loans to Mitsubishi Kotani, a prominent stock speculator, was the trigger for his resignation, bringing a sad end to Mr. Isoda's otherwise distinguished career. Mr. Isoda first came to prominence in the 1970s by arranging the rescue of Alaska, a troubled trading house, and then persuading Ford Motor of the US to participate in the refinancing of Mazda Motor which faced financial difficulties.

Mr. Isoda later oversaw the rehabilitation of Daihwa Paper and Asahi Breweries, both heavily indebted groups.

Under Mr. Isoda, Sumitomo aggressively expanded overseas.

The bank invested \$500m in a non-voting stake in Goldman Sachs, the US securities company. The deal failed to bring in benefits the bank had originally hoped, as the US Federal Reserve banned the bank from building direct business links with Goldman.

Mr. Isoda took Itohan under his wing after a financial rescue in the 1970s and sent in employees as presidents and board members. Itohan faced near bankruptcy due to mount-

Nigeria accused over \$64m payment

Ex-minister claims oil storage plan was unnecessary, writes Michael Holman

The state-owned Nigerian National Petroleum Corporation paid out \$64m for an unnecessary oil storage facility it commissioned and subsequently cancelled, according to Chief Philip Asiodu, the country's former oil minister.

The scheme was "a scandal of major proportions", Chief Asiodu said in an interview in London, in which he quoted extensively from copies of minutes and documents exchanged with NNPC and other officials.

In August a confidential government report expressed concern about "leakages" in the accounts of NNPC, Nigeria's oil ministry in the 1970s

who became a leading Lagos-based businessman, was appointed oil minister at the beginning of January. He declined a further term in office in August, when the country's interim cabinet was reshuffled and military rule extended.

In December 1992, shortly before Chief Asiodu took office, the government approved a proposal to hire oil tankers which would be anchored off Lagos and hold up to 1m tons of petroleum products as a strategic reserve.

In a series of minutes to NNPC officials and to President Ibrahim Babangida, who stepped down as Nigeria's military leader in August, Mr. Asiodu called for the cancellation of the scheme which, had it been followed

through, would have cost nearly \$20m.

Chief Asiodu told NNPC officials that they had used "bogus economics" and argued that even if the project were to go ahead, it need not cost more than \$45m.

But he strongly recommended its cancellation, pointing out that it would not resolve Nigeria's fuel shortages.

These, he said, were caused by internal distribution problems rather than supply shortages.

In a minute dated May 21 and sent to Gen Babangida, Mr. Asiodu wrote: "The matter raises... serious doubts about rationality, integrity and honesty in the conduct of NNPC management."

Mr. Asiodu sent a further detailed criticism of the project

to the president, who in a minute dated June 10 agreed that it should be cancelled.

On July 30, a senior NNPC official said that, although the contract had been terminated on July 9, NNPC was contractually committed to payments totalling \$64m to the charter company providing the tankers and bundling the project.

This included charter charges of \$35m for the period December 2, 1992 to July 9, 1993, "damages" amounting to \$30m and further obligations of \$8m.

On August 9, Chief Asiodu told NNPC officials that the legality of the contract was questionable, and warned: "Please make it clear to all concerned that the top management of NNPC are dealing with a scandal of major proportions in this matter."

Further correspondence exchanged between NNPC and Mr. Asiodu suggests that company officials ignored his directives, and had already authorised payments totalling \$16.5m to the contractors in January and February 1993.

Mr. Asiodu left office on August 28.

In the interview in London, Mr. Asiodu also rejected criticism of decisions he had taken while minister on oil lifting contracts and the award of exploration licences.

In both areas he was dealing with a backlog of claims and applications inherited from his predecessor, said Mr. Asiodu.

"If I had any skeletons to hide in the ministry, I would have chosen to remain there," he said.

World Bank halts Congo toxic dump

The World Bank took action last month to prevent construction of a foreign toxic waste dump in the Congo in an unusual move that may be a harbinger of a more active role by the group protecting the environment, Reuter reports from Washington.

Bank environmental director Mohammed El-Ashry told reporters yesterday that the leading organisation wrote to the president of the Congo to alert him to "credible reports" that a Belgian company planned to build a toxic waste dump in the country.

He denied that the Bank was seeking to be a global "cop" policing the world environment. El-Ashry, a former environmental activist, said that he was ready to repeat the exercise with other countries if the Bank received similar information.

King Norodom Sihanouk has withdrawn an offer to give cabinet posts to the Khmer Rouge in return for a ceasefire. His decision abruptly ended hopes that the offer could lead to peace talks between the radical faction and the government. Iain Simpson writes from Phnom Penh.

It also means that renewed fighting in the central province of Kompong Thom is likely to spread to other areas. In the past week, Khmer Rouge troops have attacked government positions and villages in the province, retaking positions which the government

captured last year. Reports from other provinces in the west indicate that both sides are preparing for offensives - a dry season pattern likely to be repeated this year.

Earlier in the week, King Sihanouk held talks in China with the nominal leader of the Khmer Rouge, Khieu Samphan. The king is in hospital in Beijing, receiving treatment for cancer. They discussed the king's proposal to give the Khmer Rouge senior government positions in return for agreeing to a ceasefire, giving up its army and handing over the territory it controls.

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NEWS: UK

Prison officer protest on rights to be blocked

By Alan Pike,
Social Affairs Correspondent

Legislation clarifying prison officers' trade union rights and preventing them from taking strike action is to be introduced by the government in the current parliamentary session.

Last month Mr Michael Howard, home secretary, won a High Court injunction against the Prison Officers' Association establishing that, since prison officers had the status

of constable, they could not withdraw their labour. The union plans to contest in court the loss of the right to strike. It appears that, even if it won, the victory would be short-lived because the proposed legislation would overturn it.

Mr Howard said yesterday: "I intend to introduce legislation this session which, while maintaining the position that it is unlawful for them to call industrial action, also extends normal trade union status to organisations representing staff who

currently have the powers of a constable."

This would give the POA and its members access to industrial tribunals, pay bargaining procedures and other trade union activities.

The government further strengthened its legal grip on the POA yesterday with a separate injunction against officers at Preston prison who had refused to accept new admissions.

Mr John Bartell, POA chairman, told a special delegate conference

earlier this week that constables had a duty to prevent breaches of the peace, and said officers would be within their rights to refuse admissions if they believed disruption or disturbances were likely.

Officers at Preston turned prisoners away on Thursday but Mr Howard yesterday obtained an injunction against six POA representatives who, the Prison Service said, had contravened the instructions of their governor.

Similar action had been proposed

by officers at Hull prison on Monday.

Mr Howard yesterday issued the first set of key objectives for police forces. The police bill in the present parliamentary session provides for the annual setting of key objectives to measure and enhance police performance, and the 1994-95 exercise will be a trial run before the bill becomes law.

The objectives will require forces to seek to increase detection rates for violent crime and household bur-

glaries, to provide high visibility policing, to respond promptly to emergency calls, and to target and prevent particular local problem crimes in partnership with other agencies and the public.

Success will be measured by a series of performance indicators including the number of crimes detected per 100 officers, public satisfaction with levels of foot and mobile patrols and the percentage of responses to incidents achieved within target times.

Broker jailed for £645,000 theft

An investment broker who cheated clients out of \$545,000 to prop up his ailing business was jailed for four years yesterday, John Mason writes.

Kenneth Renton, the former chairman of Wantworth Asset Management, pleaded guilty last month to 14 charges of theft and four of obtaining property by deception.

Passing sentence at Inner London Crown Court, Judge Fingert said Mr Renton's actions amounted to "persistent and blatant misuse of clients' money".

Mr Renton was also disqualified from being a company director for 10 years. He had denied a further 20 charges of theft and deception involving £1m. These charges have been laid on the file.

Investors invited to seek compensation

Customers of four investment firms have been invited by the Investors Compensation Scheme to see if they qualify for compensation.

The firms are former members of Fimbra, the self-regulating organisation for financial advisers. They are: APAL Financial Services of Barking, Essex; Chartered Financial Services (in liquidation) of Southampton; M.S. Insurance Services of Northwood, Middlesex; and Special Needs Consultancy of Torquay, Devon. The ICS said yesterday that the cases involved fewer than 60 clients and about £1m of investments.

Airports launch expansion plans

Liverpool and Manchester airports yesterday both made applications for expansion. The airports are less than 30 miles apart and only one plan is expected to be approved.

Manchester wants a second runway to double its capacity of 15m passengers a year. Liverpool, with less than 750,000 passengers a year, wants to expand to 6m passengers by 2010 and 12m by 2030.

Influenza killed 134 in November

Influenza killed 134 people in the UK last month, figures from the Office of Population Censuses and Surveys show. A total of 46 died in the week to November 28, compared with eight in the same period last year.

Deaths from pneumonia are also rising, with 845 in the week to November 26, compared with 70 in the same period last year.

CBI deputy chief dies aged 49

Mr Richard Price, deputy director-general of the Confederation of British Industry, has died aged 49. He joined the CBI in 1970 as an economic adviser and held a succession of posts.

Sir Michael Angus, CBI president, said Mr Price's influence on European policy would be especially missed. Mr Price leaves a widow and three sons.

Vodafone million

Vodafone's mobile telephone network now has more than 1m customers, taking the number of mobile phone subscribers in the UK to more than 1.8m. Vodafone, founded in 1984, took four years to gain its first 250,000 customers. The last 250,000 came in 14 months.

DTI adviser to go

Dr Geoffrey Robinson, chief adviser on science and technology at the Department of Trade and Industry since June 1992, is to return to IBM to be director of its Hursley Laboratories.

Go-between explains republican 'pique' ■ Differences remain in peace talks

Document war lifts Sinn Féin image

If Sinn Féin had claimed three weeks ago that it had been briefed on sensitive cabinet discussions and last year's failed three-way talks by a British government representative, the suggestion would have been widely ridiculed.

But when the allegation was made by senior figures in the IRA's political wing on Thursday it had enough credibility to be carried prominently by the British and Irish press - and to exacerbate tensions between the two governments on the eve of yesterday's meeting between Mr John Major and Mr Albert Reynolds, the British and Irish prime ministers.

One Irish minister - Mr Noel Dempsey - even suggested that the allegation would influence the agenda of the meeting as London would need to clear the air before substantive issues were discussed.

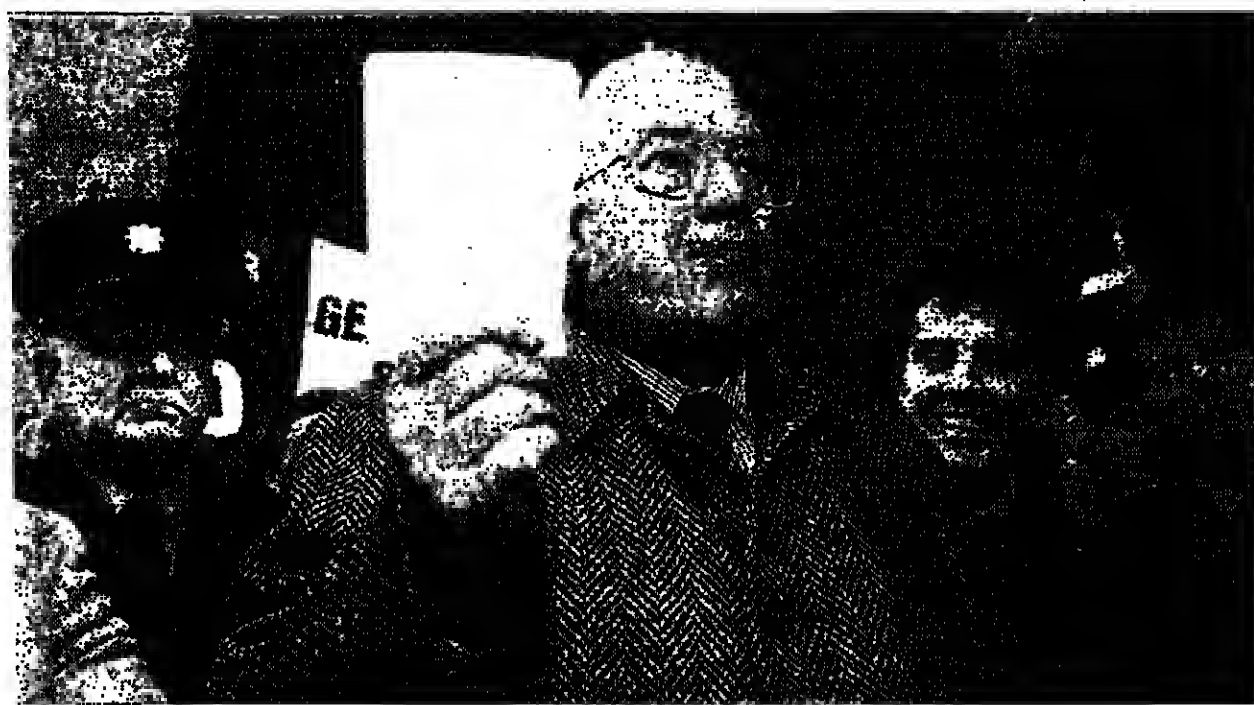
"The initial difficulty will be the revelations and allegations that have been made," said Mr Dempsey, speaking with the full approval of the Irish government. "They have to be got out of the way... before substantial negotiations can continue."

Sinn Féin's enhanced credibility is the direct result of its successes in the "document war" that it has been waging with London. Time and time again the British government's version of events has been shown up as less accurate than the Republican version. But bluntly, London is on the defensive.

This was underlined yesterday when officials would not be drawn on Sinn Féin's latest claims.

Since admitting at the start of this week that it had been in prolonged contact with Republican leaders, in spite of previous denials, the British government has also had to own up to errors in the record it published of the messages the two sides exchanged.

By conceding a total of 11 mistakes in one key paper the government has accepted that



Unionist leader Ian Paisley protests at Dublin Castle yesterday where prime ministers John Major and Albert Reynolds held talks

An intermediary who passed messages between the IRA and the UK government talked to *Jimmy Burns* yesterday. Channels of communication between Sinn Féin and the government have involved a range of so-called "floaters" - intermediaries drawn from the church, local government, community politics and serving and retired civil servants. The government has said that serious contact between the two sides got under way only in February after the IRA sent a message: "The conflict is over but we need your advice on how to bring it to a close."

Sinn Féin's version of the document was accurate in virtually every detail.

Sinn Féin's propaganda coup is all the more noteworthy since its own record of reliability is not unblemished. For example, it has not belatedly made clear that its 11-paragraph response to the British conditions was not passed on until July - as the government stated - rather than

However, one of the floaters said that by then both sides had acknowledged that "no side could win [the war]". In private contacts it had been understood that if and when an agreement was publicly announced it would have to be phrased so as not to suggest that either side was victor or loser.

"This explains the pique of Sinn Féin over the last few days," said the floater. "What they were trying to do was to get off the hook with dignity, but Sir Patrick Mayhew's statement put them in a very difficult situation with their supporters."

April as was implied by documents Sinn Féin released on Monday. Mr Martin McGuinness, Sinn Féin chief of staff, said on Thursday that this response was "prepared" in April but not "lodged with the contact to be passed to the British" until July.

In addition, fresh documents released by Sinn Féin on Thursday appear to modify its

The floater said there had been more communication in the last two years than before, and it had become particularly intense by the start of this year.

At an early stage of the talks Sinn Féin officials were uncertain whether the people who put themselves forward as "government representatives" were really reflecting government policy.

Some of the mediators involved in the early stages of the Hume-Adams talks are believed to have been priests from the Clonard monastery in west Belfast.

A newspaper interview with Mr McGuinness published in September provides a further caution against automatically treating Sinn Féin's public statements with credulity. Asked whether there had been feeders from the government to Sinn Féin, Mr McGuinness is reported to have replied: "No, there haven't been."

David Owen

Britain shifts position at Dublin summit

By Tim Coone in Dublin

Irish persistence paid off at yesterday's Anglo-Irish summit in Dublin, with the British delegation conceding to work intensively on the joint declaration being sought by Dublin aimed at a permanent halt to IRA violence.

Considerable differences remain over its phrasing, which will be discussed in subsequent summits scheduled for later in the month. Agreement is by no means assured. But the Irish government can derive some satisfaction in having convinced Mr John Major to tackle the peace process before moving

on to British concerns over constitutional issues, in particular Ireland's territorial claim to Northern Ireland.

The Irish proposal, contained in a document tabled last July, has been back and forth between the two governments since, and disagreement over its focus on the issue of Irish self-determination has been the principal stumbling block to progress on the peace initiative.

Self-determination is viewed as a loaded term by the British and by Northern Ireland's unionists, who see it as implying a veto by the republic over constitutional changes in the North.

The Irish insist that this is not so. Mr Noel Dempsey, the Irish government chief of staff, said: "There seems to be some confusion in the British government's mind as to what we mean by self-determination."

He added: "What we are talking about is separate referenda, north and south, where both peoples in both parts of the island can make their views known. If consent is freely given, if a majority in both parts of the island decide that they want a united Ireland, of whatever form, then we will abide by that. We are not talking about collective self-determination."

The nationalist goal of a united Ireland does not seem to be as crucial to Catholics in Northern Ireland as many have believed. An opinion poll in yesterday's *Irish Times*, carried out last weekend by Coopers & Lybrand, indicated that only 32 per cent of Catholics in Northern Ireland favour a united Ireland, although 65 per cent favour a constitutional change involving a greater role for Dublin in the province's governance.

Only 3 per cent of Catholics favour greater integration into the UK, the option favoured by Mr James Moynihan, Ulster Unionist party leader.

Shoppers value 'own brands'

By Guy de Jongh, Editor, Consumer Industries Editor

Most British shoppers believe "own-brand" groceries sold by supermarket chains offer at least as good value as branded products from leading manufacturers, a survey shows.

The survey by Verdict Research retail consultancy, says the popularity of own-brand lines and their growing use by retailers to spearhead price-cutting campaigns pose a serious threat to branded manufacturers, which may have to lower prices further to avoid losing sales.

Almost two thirds of consumers surveyed said the quality of own brands was equal to or better than leading branded equivalents. Almost three quarters said own-brand prices were about the same or cheaper.

J. Sainsbury's own brands scored highest on quality. Almost two thirds of consumers also said they rated the quality of "no-frills" own-brand products at Kwik Save, the discount grocery chain, superior or equal to manufacturer brands.

About a third of consumers

said they were likely to choose own-brand versions of biscuits, cakes, canned groceries and dairy products over manufacturers' brands. Less than 10 per cent said they preferred own-brand beer and pet food.

Verdict says Tesco was using own brands more aggressively than any other large supermarket chain as a price-cutting weapon. Tesco brands were also being displayed much more prominently and stocked in larger quantities. Almost 40 per cent of Tesco's shelf space was devoted to its own brands, compared with 31 per cent at J. Sainsbury and 27 per cent at Safeway.

The cheapest supermarket was Kwik Save, where a basket of groceries costs £29.18, while the same goods at Tesco cost £35.12. Waitrose was dearest, at £36.53, followed by Safeway and Sainsbury's.

The research into issues of self-price and pricing was carried out in late October, shortly before Sainsbury's cut prices on 300 own brand lines.

Verdict on Grocery Brands. Verdict Research, 112 High Holborn, London WC1V 6JS. 071-404 5942, 5950.

Personal alcohol imports up to £400m

By Philip Rawstorne

Cross-channel shoppers are spending about £400m a year on personal imports of beer, wine and spirits.

A report yesterday by Verdict, the retail consultancy, says that increased allowances of personal imports of duty-paid drinks this year have had "a dramatic impact".

Although the chancellor did not increase the duty on beer or spirits in the Budget, the outlook for UK off-licences is not bright, Verdict says. Price competition has intensified in the £6.5bn take-home market and profit margins of specialist shops are under threat.

Supermarkets have benefited most from growth in the take-home trade and now claim 56 per cent of sales. Off-licences are attempting to match prices but only the biggest chains, Thresher and Victoria Wine, have the power to compete on price for a prolonged period, the report says.

Verdict on Off-Licences 1993. Verdict Research, 112 High Holborn, London WC1V 6JS. 071-404 5942, 5950.

Equatorial Bank gives up licence

By John Gapper, Banking Editor

Equatorial Bank, the small Asian-owned bank which was placed into administration in March, has voluntarily surrendered its Bank of England banking licence after various attempts to rescue it failed. It was disclosed yesterday.

Mr Gareth Hughes, the

administrator from Ernst & Young, said that the bank had surrendered its banking licence because there was "no prospect of rescue". The bank's liabilities and assets were being worked out.

The Bank of England said that Equatorial was one of two companies deleted from its list of authorised institutions under the 1987 Banking

Act. The other was Bunge Finance.

Mr Hughes said that an interim payment of 25p in the pound had already been made to Equatorial's creditors. He expected that further payments would be made in the next few months as loans were reallocated to other institutions.

Equatorial was one of three

Asian banks in London to close since last October, prompting concern about the supply of finance to Asian businesses. They lost liquidity after the closure of Bank of Credit and Commerce International.

Among those who expressed an interest in rescuing Equatorial was a group headed by Mr Ketan Somaiya, a Kenyan Asian businessman.

Regulators chronicle pension mismatches

By Norma Cohen, Investments Correspondent

A primary school teacher who persuaded a life insurance company to buy her out of a personal pension and back into an employer's scheme at a cost of £21,000 is one of about 500,000 similar cases to be investigated by securities regulators.

Through the efforts of her union, the Association of Teachers and Lecturers, Mrs Jennifer Brown, 33, persuaded Abbey Life, the life insurance company which persuaded her out of her scheme and into a personal pension, to buy her back in.

Mrs Brown, from Dudley in

the West Midlands, transferred out of the teachers' pension scheme four years ago. She said: "When you sit down in the cold light of day and think about it, you wonder why you did it."

"I can't believe I would sign all those benefits away without even investigating it," she added.

Securities regulators are preparing to investigate the cases of up to 500,000 people like Mrs Brown, who transferred out of employers' pension schemes into personal pension plans. They estimate that as much as £7bn has come out of employers' schemes into private plans. An initial review of files has shown that in too many

cases agents failed to obtain enough information to offer good advice to clients. Mrs Brown's action cost Abbey Life about £21,000, enough to repay both the transfer value of her contributions when she left the scheme with eight years of service and to compensate for the four years when she was a personal pension holder.

Mr Peter Hood of the Teachers' Superannuation Scheme said nearly 27,000 teachers had transferred out into a personal pension or had opted not to join the scheme at the start of their employment.

The teachers' scheme offers fully-indexed retirement benefits, death in service benefits of

up to 18 months salary and 75 per cent of teachers retire early with no reduction in benefits. Also, their employer contributes an additional 8 per cent of their salary for the 6 per cent of gross salary contributed by each teacher.

Mr Hood said: "We face the difficulty that the salesman is there and can influence the teacher. They can cast aspersions on our scheme." By the time the scheme has tried to explain to members what they are giving up, they have already been talked into a personal pension by a seasoned sales agent.

Because personal pensions are rarely bolstered by a contribution from the employer,

offer no survivors' benefits in the event of death, do not offer indexed benefits on retirement and carry significant up-front charges, it is difficult for them ever to be as attractive as an employer's scheme.

But Mr Steward Ritchie, director of pensions at Scottish Equitable, a leading private pensions provider, said individuals did not necessarily make decisions based on numbers.

Nevertheless, last year Labour, the self-regulating body for the life insurance industry, issued guidance to sales agents telling them that there were almost no circumstances in which it was best advice to switch from an employer's scheme to a personal pension.

مكتبة العدل

Rightwing ministers told to tone down rhetoric

Clarke wants unity over welfare state

By Philip Stephens, Political Editor

Mr Kenneth Clarke has told rightwing cabinet colleagues to tone down their rhetoric about the future of the welfare state to minimise the political backlash against planned cuts in unemployment and invalidity benefits.

The chancellor's warning that ministers must speak with one voice on the future of welfare provision was endorsed by the full cabinet this week. It was followed by Mr Clarke's public declaration that the government was committed to reforming, not dismantling, the welfare state.

Mr Clarke also won cabinet backing for his public statements that the government was committed to maintaining the state pension as a basic building block for retirement.

He dismissed the idea floated by Mr Peter Lilley, the social security secretary, and by Mr Michael Portillo, the chief secretary to the Treasury, that people might be encouraged to opt out of state pensions.

In Mr Clarke's view the government's drive to persuade people to make greater private provision for old age must not undermine the notion of the state pension as a bulwark against poverty. He told colleagues that many relatively poor and disadvantaged people could not find suitable substitutes for a basic state scheme.

The chancellor has also rejected the idea that the government should aim for a permanent reduction in the size of the state, which at present takes about 45 per cent of national income. He believes that his planned reduction in that share to about 40 per cent

would leave it at the level necessary to sustain the welfare state over the long term.

In spite of the determination of those on the right of the Tory party to promote family values, Mr Clarke has also given a clear signal that his future budgets could see the disappearance of the married man's income tax allowance.

The allowance, with mortgage interest relief, was reduced to 15 per cent in this week's Budget. The chancellor acknowledged that the Tories' manifesto pledge meant that mortgage interest relief would survive to the next parliament.

He has pointed out that no similar pledge exists on the married man's allowance. Mr Clarke regards this as an anomaly left from the wish not to create "losers" when independent taxation of husbands and wives was introduced.



Water works: engineers yesterday inspected one of the last dry sections of the £250m London water ring main, at Kempton to the west of the capital, to clear it for the taps to be turned on. The 80km tunnel, 40 metres underground, will be fully in use next year

Labour warns of slide in spending

By Kevin Brown, Political Correspondent

Public investment will fall dramatically as a result of the first Budget delivered by Mr Kenneth Clarke, the chancellor, Mr Gordon Brown, the shadow chancellor, said yesterday.

Mr Brown told a post-Budget seminar in London that general government investment would fall by 3 per cent next year and 3.5 per cent in 1995-96.

He said a Labour analysis of the Budget red book showed that net public capital expenditure would fall from £13.6bn this year to £10.25bn by 1997.

"This means a 25 per cent fall in the value of public investment, one of the biggest cuts we have seen," he said.

Mr Brown said the March Budget, delivered by Mr Norman Lamont, had also failed to live up to its billing as a budget for investment.

Mr John Smith, the Labour leader, told a party meeting in Edinburgh that the gloss was "fast fading" from the Budget. "The truth about the Budget is sinking in and the country is not impressed," he said.

Mr Smith said the Budget - the "biggest tax hike in history" - was the direct responsibility of Mr John Major, the prime minister, who was earlier chief secretary to the Treasury and chancellor.

"He has held the three jobs which give him immediate responsibility for the catastrophic decline. The buck stops very firmly with him."

In another attack on the Budget Mrs Margaret Beckett, Labour's deputy leader, said Mr Clarke had made "the clearest declaration imaginable that the Tories are the party of high taxation, just as they are the party of high crime."

Mr Robin Cook, shadow trade and industry secretary, said many of Britain's 10,000 rural post offices were at risk of closure because of a 76 per cent increase in Post Office payments to the government.

Focused pay-freeze fight urged

By Lisa Wood and David Goodhart

Unions should not mount a national campaign of action against the government's planned three-year freeze of public-sector wages, Mr John Edmonds, head of the GMB general union, said yesterday.

Instead, he said, unions should use workers with political muscle to set a fair "going rate" for others to follow.

"In the early 1980s cash limits were made unworkable thanks to an effective going-rate strategy," he said.

He said the freeze, with flexibility for special groups, was "power bargaining at its most naked". But he also said he detected a pragmatic, opportunistic stance in the way it was likely to be implemented.

TUC officials say that a sector-by-sector approach is likely to be more fruitful than

a national campaign. However, Unison, the biggest public-service union, may still push for co-ordinated action between local government workers and civil servants, especially in the light of the relatively successful one-day stoppage against market testing on November 5.

The unions will be hoping for a lead from the independent pay review bodies, covering 2m public-sector workers, due to report in January.

The government's own evidence to the nurses review body calls for a phasing-out of the right of workers in hospital trusts to hold their nationally negotiated pay terms.

"The intention is to enable trusts to implement schemes for all their staff irrespective of whether they had opted for new locally determined employment contracts," the Department of Health said.

Sega TV channel looks to Europe

By Raymond Sooddy

Sega Channel, the computer games channel due to launch in the US in the spring, is considering a move into Europe, starting with the UK, in 1995.

The channel, owned by the games manufacturer Sega, Time Warner and TCI, the American cable operator, has been talking to cable and satellite television operators across Europe, according to New Media Markets, the Financial Times newsletter.

The channel is expected to launch on cable first although the company has also been talking to British Sky Broadcasting, the satellite broadcaster in which Pearson, owner of the Financial Times, has a stake.

The UK is Sega's main priority because of the estimated installed base of 1.4m Mega-drive game consoles. Through a decoder owners of consoles will be able to get access to a range of games, including previews of new games.

The games company hopes the channel will both stimulate the sale of consoles and game cartridges and at the same time create an additional stream of revenue.

Tory unease grows over 7% rise in council tax

By John Authers, James Birt and Paul Chesser

Unease among Conservative MPs and councillors intensified yesterday over the rise in council tax of about 7 per cent expected after this week's financial settlement for local authorities.

Some Conservatives in London fear that higher bills could undermine the party's electoral prospects in local elections next May, soon after the new council tax bills are delivered - several London boroughs have been subjected to steep cuts in the grant they receive.

One Conservative MP said London had been used as a "milk cow" for the rest of the country in the new settlement, announced on Thursday.

Mr Jack Straw, shadow environment secretary, predicted disaster for the Conservatives in the local elections around the country.

Sir Rhodes Boyson, MP for Brent North, whose local authority sustained the 10th greatest cut in standard spending assessment, said the expected rises were "a very serious matter" when inflation was 1.7 per cent and the government was planning to freeze the public-sector pay bill.

"This is another way of raising taxes and it won't be popular in the run up to the elections," he said.

Local government grants (unadjusted increase %)

TOP WINNERS		TOP LOSERS	
Brentwood	35.93	Slough	-13.74
Tewkesbury	29.63	Leicester	-13.73
South Bucks	28.30	Blackburn	-11.52
NE Dorset	25.83	Luton	-10.18
Ashefield	24.83	Barnley	-9.54
East Dorset	23.43	Wandsworth	-9.26
Three Rivers	23.35	Ipswich	-8.97
Blyth Valley	22.56	Hammersmith	-8.88
Basingdon	22.33	Hyndburn	-8.84

Figures show change in government's estimated total standard spending, 1993-94 to 1994-95. Source: AMAs

Brent was captured by the Conservatives from Labour in the last local elections in 1990.

Wandsworth, a Conservative stronghold which suffered one of the sharpest cuts, was confident that its council tax would remain "lower than average" thanks to the buffering grant given by the government to authorities which lost heavily.

The borough would not rule out cuts in services.

Mrs Kathy Tracey, a Conservative councillor in Wandsworth, described the package as "very worrying for Conservative boroughs".

Finance experts for the local authority associations predicted that average council tax bills would be in line with government predictions, thanks to new measures for capping council budgets, which are tighter than ever.

Mr David Congdon, Conservative MP for Croydon North East, said that the decision to cut the budget for transitional

relief from the poll tax to council tax from £80m to £130m next year could mean "much higher bills".

Other London boroughs expected savings cuts in services to meet government targets, with Hammersmith and Fulham predicting a cut of about £5m. After cuts of £40m over the past two years, the council suggested it would be difficult to make further cuts without job losses.

Leicester City Council, the largest non-metropolitan authority in England, suffered a severe cut in its spending assessment, and must cut its budget to stay within the government cap.

The city's SSA has been reduced by £6.4m. Mr Don Grant, director of resources, said that over the next two years Leicester would have to reduce spending by 12.5 per cent and this would cost jobs "in hundreds rather than tens".

Admission adds to SFO injury

By Andrew Jack and John Mason

The admission that a substantial bureaucratic blunder was made in the handling of documents relating to the prosecution of Mr Asil Nadir could not have come at a worse time for the Serious Fraud Office.

In a Commons written answer Sir Nicholas Lyell, the attorney general, admitted that the SFO had twice circulated copies of documents it was not entitled either to see or to distribute to others.

While the details are embarrassing to Sir Nicholas, who admitted his previous statement to the Commons in June was "incomplete" and "misleading", they are even more damaging to the SFO.

They come just days after criticism of the outcome of its following of Mr Roger Levitt, the disgraced financial salesman, who was sentenced to just 180 hours of community service after a plea bargain.

The latest revelations connected to Mr Nadir cast doubt over the SFO's managerial and administrative competence, and are highlighted in the exchange of correspondence between Mr George Staple, head of the SFO, and Mr Peter Knight, a partner with Vizards,

A soft-drinks company based in Izmir, Turkey, which holds Coca Cola's local bottling franchise, is bidding to buy Meyna, the fruit and packaging business once thought to be the main contributor to the £107m reported profit of Polly Peck International's Middle East businesses, John Murray Brown writes.

the law firm which acted for Mr Nadir until his bankruptcy. In his letter to Mr Staple in July Mr Knight suggested that "no workable system existed" in the SFO for handling privileged documents. The allegation was strongly rejected by Mr Staple in his response in a letter written on Thursday.

The letters focus on at least five bags of correspondence seized in two police raids - one in October 1990 on the offices of Polly Peck International, the company controlled by Mr Nadir and the other on Mr Nadir's Mayfair home at the time of his arrest in December that year.

The exact contents of the letters is unclear, but Mr Knight's lawyers at that time claimed they contained correspondence between him and them which was covered by privilege.

The SFO initially contested the status of these documents

Mr Cemal Ozgorker, head of the privately-owned Ozgorker Group, confirmed he was in talks with the administrators to PPI. Meyna made net losses in 1990, 1991 and the first nine months of last year, according to internal management figures in a sales prospectus sent by the administrators to potential buyers.

but an independent barrister gave an opinion largely supporting Vizards' case.

Yesterday's further admission was prompted by a letter in July from Mr Knight to Mr Staple that the previous statement did not fully explain the position. It says that some of these documents were passed on both to the SFO's lawyers prosecuting Mr Nadir, and to the Polly Peck administrators. It was on this point that Sir Nicholas had to admit that he had misled the Commons in his earlier statement.

Mr Knight protested to the SFO over the circulation of these documents. The failure of the SFO to react properly to his protests forced both the attorney general and Mr Staple to apologise yesterday.

Sir Nicholas said: "I regret that the fact that copies of privileged documents had been circulated was not acknowledged by the then case controller."

Mr Staple told Mr Knight on Thursday: "I accept that as soon as it was realised that privileged documents may have been copied, the matter should have been brought to your attention by the then case controller."

The case controller in charge of the Nadir case, Ms Lorna Harris, was the only SFO officer mentioned specifically in the statements made by Mr Staple and Sir Nicholas.

However, an SFO spokesman insisted nobody was being singled out for the errors.

Ms Harris, who has since left the SFO but remains a civil servant, yesterday refused to comment. Her solicitor, Mr John Clitheroe of Kingsley Napley, issued a statement saying: "She has taken legal advice because she is very unhappy about what has been said about her by the attorney general. She is considering her position."

Coal subsidence pay-outs at risk, surveyors warn

By Michael Smith

Householders could receive insufficient compensation if they suffer mining subsidence following the privatisation of the coal industry, the Royal Institute of Chartered Surveyors said yesterday.

Measures for dealing with subsidence in the Coal Privatisation Bill, published on Thursday, are unclear, the institute said. "We are not confident that the £35m to £40m a year estimate for subsidence in the bill will prove sufficient."

The institute said its measures gave householders little protection if a private operator should become insolvent or deny responsibility for damage.

Instead of having one clearly responsible statutory authority, British Coal, householders would have to deal with the new coal authority and

possibly one or more private operators, the institute said.

British Coal announced separately that it aims to reach agreement as soon as possible with Edwards Energy on the resumption of mining at Trentham in Staffordshire.

This takes to three the number of closed pits where British Coal has indicated mining can be resumed by private operators. Edwards is also in negotiations for Coventry colliery and British Coal has agreed in principle to lease Clifton colliery in the Yorkshire region to R.J.B. Mining.

Meanwhile British Coal yesterday ceased production at three pits, Bentley and Hatfield in the Yorkshire region, and Silverdale in Staffordshire, as part of its closures programme.

By Christmas British Coal will have only 23 pits left in production.

In a further development, the coal industry's two pension funds reinforced British Coal's concerns about the government's plans for pensions after privatisation.

Concerns centre on the extent of the trade secretary's powers over the trustees and the omission from the bill of government guarantees for post-privatisation benefit improvements above the inflation rate.

Although the government has promised that benefits will rise in line with the retail prices index, the trustees are concerned about the allocations of future surpluses and a clause in the bill giving the trade secretary powers of "national interest".

Mrs Rhoslyn Roberts, secretary of the staff scheme, said that the government's proposals did "not yet meet the objectives of the trustees".

1994 Water Briefing

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Saturday December 4 1993

Mr Clarke's hairshirt

Masochism has been designated the English vice. Rightly so, it appears from the ecstatic reaction accorded to the second of two tough budgets in one year. Lashed by Mr Clarke, the financial markets, the pundits and Tory backbenchers have gone into paroxysms of delight.

The joy of the gilt markets is understandable. Nothing is better designed to bring a smile to the lips of the nervous investor in long-term fixed income securities than the spectacle of depression in the economy and austerity in the budget. Austerity is what Messrs Lamont and Clarke have delivered. In 1996-97, taxes are to be 11.7bn (2.2 per cent of gross domestic product) higher than they would have been without the 1993 budgets. That is what the two chancellors would have obtained if they had raised the basic rate of tax to 24p in the pound.

Meanwhile spending has been cut by £3bn (0.4 per cent of GDP) in 1996-97, over and above already tough plans. As the Institute for Fiscal Studies promptly pointed out, the government intends to allow non-cyclical public spending to rise by less than 4 per cent in real terms between 1992-93 and 1996-97, a third as fast as in the recovery phase of the last cycle under Mrs Thatcher.

With £7bn of underfunding promised as well, it is hardly surprising that the redemption yield on a medium-term bond fell from 6.68 per cent on Monday to 6.46 per cent yesterday evening. This comes on top of an extended bull run, during which the yield has fallen from a peak of 12.7 per cent in April 1990.

Optimism about inflation is understandable, but what about the soaring equity market? The FT-A 500 Index has gained 2.6 per cent since Monday night. Why should budgetary austerity deliver this, especially when the price-earnings ratio is already barely short of where it was before the October 1987 crash?

Conventional wisdom is that low interest rates, particularly low short-term rates, have driven up prices of alternative investments, be they bonds or equities, because investors have nowhere else to put their money. If current equity valuations are to endure, however, investors must be right to believe in the government's rhetoric about the feasibility of sustained growth with low inflation.

Triumph of hope

This is the triumph of hope over repeated disappointment. But it is indeed what the chancellor is promising. Growth of real GDP is, says the Red Book, to accelerate smoothly from 2½ per cent in 1994-95 to 3 per cent by 1996-97. Meanwhile, underlying retail price

inflation is to fall from 3½ per cent next year to 2½ per cent in 1996-97 and 2 per cent thereafter.

It looks too wonderful to be true. It is not that wonderful, since what is to deliver this happy combination of growth with falling inflation is persistent excess capacity. Unemployment is, for example, assumed to remain at 2.75m until 1996-97. But, given the relatively depressed starting point and the fiscal action that has now been taken, the forecast looks at the least feasible.

Cost competitiveness, allowing for exchange rate changes, was "probably 20 per cent better in the third quarter of 1993 than a year earlier and is forecast to remain at close to that level during 1994", says the Red Book. The current account deficit is now forecast, on imperfect figures, at only £9.5bn (¼ per cent of GDP) in 1993 and the same in 1994. If right, this suggests the first of the twin deficits is not going to be the problem some have feared, or at least not soon. As for the second of the twins, the fiscal deficit, that too now looks under control.

Sadistic policies

The interesting question is not whether markets are right to believe in the logic of the masochistic fiscal policy, but rather whether they should trust in the durability of its sadistic policies. One issue is whether the government can get away with freezing the public sector's wage bill in nominal terms for a period of three years. Earnings in the economy are bound to rise by about 10 per cent or so over the period. If earnings in the public sector were to rise *pari passu*, employment in the public sector would have to fall by half a million, which looks neither feasible, nor desirable.

The policy would only be sustainable, without an explosion, if inflation were to fall even faster than forecast. This suggests slow declines in short-term interest rates. But this also means there would be the risk of only a gentle recovery and, given the fiscal squeeze, very slow rises indeed in real personal disposable incomes after tax for those in work. The Red Book says real personal disposable income could rise 1 per cent in 1994, the same as in 1993. It is unlikely to rise any more than that, on the government's forecasts, for many years thereafter.

With the public sector possibly in turmoil and most voters not becoming noticeably better off during the recovery, it will take a great deal of nerve for the government to persist. May Mr Clarke has the guts for the task. But does his party? Once markets begin to question the policies, for how long will they find Mr Clarke's hair-shirt economics so delightful?

It is official: the welfare state is safe in Conservative hands – or so the government says. After months of speculation about radical reforms – spurred on by ministers such as Mr Peter Lilley and Mr Michael Portillo – the chancellor sought to lay the issue to rest in his Budget statement on Tuesday.

"This government will never take part in any attempt to dismantle the welfare state," he said. "We want to see a better welfare state, well-run, well-judged and one that meets the priorities of modern society."

That claim is borne out by the detailed measures in the Budget. There was a tightening up on eligibility for unemployment and invalidity benefits. A new drive on fraudulent claims was announced. Responsibility for sick pay was shifted to employers for larger businesses. And the state pension age for women will rise from 60 to 65 in the second decade of next century.

For all the opposition's sound and fury, this hardly adds up to what Mr John Smith, Labour leader, called a "vicious attack on the welfare state". Indeed, Mr Clarke took the opportunity to reaffirm his party's support for the basic state pension, the most expensive social security benefit, accounting for 10 per cent of public spending.

Mr Portillo, the hawkish chief secretary, may have suggested as recently as last month the state pension could be phased out for younger people. But the chancellor took the trouble to say the government was committed to the basic pension and "retaining its value".

And in case it was thought that ministers were picking on lone-parent families, Mr Clarke introduced a childcare allowance that would help "tens of thousands of mothers" go back to work. While acknowledging that this would benefit married mothers as well, he highlighted the help it would give single mothers in breaking out of welfare dependency.

Further, the chancellor has secured the agreement of cabinet colleagues for an end to the sort of talk about fundamental reforms of the welfare state which might frighten backbenchers and Tory voters. Less will now be heard about moving from a welfare state to a "welfare society", as trailed in the run-up to the Budget by Mr Lilley, the social security secretary.

At the morning cabinet meeting Mr Clarke exerted his political authority by telling colleagues in uncertain terms to tone down their

Welfare services, such as the National Health Service, escaped punishment in this week's Budget squeeze on public spending.

But many of the workers who deliver such services are now asking whether it will be at the expense of their pay packets. At the same time, Mr Kenneth Clarke's decision to leave some flexibility in his three-year public sector wage bill freeze will make it more difficult for unions to campaign against the clampdown.

There remains uncertainty about precisely how the squeeze on public-sector pay will work and also about its consequences: for instance, will the drive to increase efficiency in the delivery of services be affected, and will public sector employment drop sharply?

The initial reaction from important union leaders such as Mr John Edmonds of the GMB general union was sanguine. Picking up on ministerial hints that workers with political muscle such as policemen and

Change, not wholesale reform, is on the welfare state agenda, says John Willman

Safety net, not social insurance



A cosy image shattered: Terry-Thomas as a country constable in *Happy is the Bride* (main picture); Donald Sinden in *Doctor in the House* (top right); and Robert Donat as a teacher in *Goodbye, Mr Chips*

retoric. He wanted the welfare state reformed rather run down. Others should sing the same tune.

Yet life is not so simple. The welfare state has never been a fixed entity. It has constantly mutated to meet new challenges during the 50 years since Sir William Beveridge set out the blueprint for a comprehensive social security system.

For much of its first 30 years, the welfare state gathered size, creating new benefits, improving the generosity of payments and extending coverage beyond those paying national insurance contributions.

Since the late 1970s, however, there has been a series of incremental

changes designed to ratchet down the rising cost of welfare:

- Some universal benefits such as maternity grant and death grant have been abolished (with employers taking over responsibility for maternity allowances).
- Unemployment benefit and sickness benefit have become flat-rate payments, with the elimination of the earnings-related supplements which used to be paid with them.
- Since 1981, benefits have been increased annually in line with prices rather than earnings.
- The state earnings-related pension scheme (SERPS) has been scaled down to reduce its cost in the next

century as the population ages.

- The conditions for claiming most benefits have been tightened – restricting unemployment benefit to people actively seeking work.

These changes have generally reduced the value of benefits as a proportion of average earnings, encouraging individuals who can afford it to make greater private provision. Almost 15m people, for example, have opted out of SERPS into private pension schemes or occupational pension schemes.

The result is that the welfare state plays a declining role in providing financial security for most people. Instead, it is increasingly

becoming a safety net for those unable to provide for themselves.

This week's Budget measures are a continuation of this trend, with further changes which will cut costs and encourage greater provision by individuals and employers.

As the fundamental reforms may be off the immediate political agenda, Mr Lilley is keen to see the trend continue. He will pursue his efforts to encourage a debate on the subject with the aim of preparing the public for more incremental change and persuading them to do more for themselves.

He will be helped in this by the decline in value of benefits now that they are linked to prices rather than earnings. The basic pension, worth 15 per cent of average earnings, will fall to about 7 per cent of average earnings over the next 30 years.

Already two-thirds of people reaching state retirement age have income from occupational pensions of more than £56 a week, the amount of the basic state pension.

As Mr Lilley recently pointed out, the UK is better placed than many other countries to cope with the strains imposed on the welfare state by an ageing population. By a series of policy adjustments – undertaken in the case of SERPS long before the problem emerged – Britain has avoided the often arbitrary cuts other countries have recently introduced.

The announcement that the retirement age for women will be raised starting in 17 years is a further example of this far-sighted approach, the chancellor argues.

Certainly the welfare state is not fundamentally changed by the sort of measures announced this week. But the underlying process of reducing the demands on social security, of encouraging greater individual provision and seeking a greater contribution from employers continues.

The outcome of that in the longer term is a welfare state which is more of a safety net, supporting only those who cannot make their own provision. The welfare state into which all pay contributions in good times and all draw out when times are bad withers.

Beveridge might welcome elements of the switch, including the increasing emphasis on individual responsibility in welfare. But it is a far cry from the cradle-to-grave social insurance system he envisaged in his 1942 report.

Pain plus pragmatism

David Goodhart gauges reaction in the public sector

nurses would get special treatment, Mr Edmonds said. "At one level this is power bargaining at its most naked. Yet there was also a pragmatic style to the announcement that we can exploit."

We warned that grandiose plans for national industrial action were likely to prove futile and that unions should concentrate on setting a "going rate" in the public sector, allowing less powerful and less popular groups – such as local government workers and National Health Service manual workers – to play-back on more powerful groups. This strategy was followed by the unions in the early 1980s when the government's policy of cash-limits on pay bills was repeatedly broken.

The timetable on public sector pay may be heading in a similar direction. In January the five pay review bodies, which recommend pay rates for about 2m of the 5m public sector workers, will submit their reports for 1994-1995. The future of the review bodies is in doubt following the 1.5 per cent public sector pay limit imposed this year and the proposed pay bill freeze for the next three years. Recent personnel changes on the review bodies may make them more friendly to the government. Yet they are still expected to produce independent recommendations.

The recommendations could be difficult for the government to reject, especially for groups such as nurses and teachers. If the union strategy proves successful, the government would come under pres-

sure to offer similar increases to civil servants and NHS manual workers, who start talks in April.

For some parts of the public sector, pay rises at about the level of inflation are still compatible with a pay bill freeze. The NHS, for example, has only just begun to exploit the savings that can be made by improving the efficiency of unskilled workers and the professions allied to medicine.

But the government's real target for such efficiency savings is its central government civil servants and, above all, white-collar local government employees, sheltered from job cuts to date.

The pay bill in local government, as in most of the public sector, is about 70 per cent of total costs. This year it will be frozen thanks

to the 1.5 per cent pay limit and a 3 per cent reduction in staff. The total number of employees is now below 2m.

This is only slightly below the numbers employed in local government in 1979, despite the fact that local government blue-collar workers have been cut by one quarter thanks to compulsory competitive tendering.

Ministers believe there is fat to cut – car allowances in local government, for example, total £600m a year – and would relish a confrontation with Unison, the public services union, which has been flexing its muscles over cuts.

The drawback of the overall strategy, according to Mr Dong Henderson, Labour's local government spokesman, is that a three-year pay bill freeze would either increase unemployment steeply or create an unacceptably large pay gap between the public and private sector – damaging at a time when staff are being asked to change their working habits of a lifetime.

MAN IN THE NEWS: Kenneth Clarke

Plaudits for the main contender

Philip Stephens on a chancellor who diets on common sense



The first big decision he took after arriving at the Treasury in June was that the budget deficit had to come down faster than envisaged in the medium-term plan set out by Mr Lamont in March. The new blueprint had to be delivered in November.

Mr Clarke's reasoning was that a government which had rarely been in charge of events since it was elected 18 months ago might then claim to have restored its grip.

Even the punters outside the precincts of Westminster might think that it was worth taking some pretty bitter medicine if the doctor appeared half-way competent.

The second decision was that his first Budget would not be an occasion for fancy tax reform. He had more important things to do. Anyway, tax neutrality is not a phrase which trips easily from his lips.

After the political uproar over VAT on fuel he had to find ways to

raise money that would minimise the potential for yet another Tory revolt. Increases in the key rates of income tax were ruled out; so, too, a bit later was any further extension of VAT, even though Mr Clarke remains committed in the medium term to the switch from direct to indirect taxation.

Instead, the chancellor chose well from the rest of the items on the Treasury's misery menu. Taken together, his tax increases will raise

another £5bn or so by 1996-97. But each one has been selected to minimise Conservative opposition on the backbenches and among party activists.

Many Tory MPs are fed up with the steep increases in petrol prices. The insurance and airline lobbies will ensure others grumble about the new airport and insurance taxes. But these are not issues worth going to the political stake for.

Of course, the size of the reductions in public spending which allowed Mr Clarke to claim his Budget would knock another £18bn off the borrowing requirement by 1997 was partly fortuitous.

His cabinet colleagues in the spending committee, known as EDX, were just as frightened of the implications of borrowing running at £18n a week. They decided for once to behave responsibly.

Another windfall came from the heroic assumption that some 5m public service workers would stand meekly by while increases in their pay are held below 2 per cent a year until the general election due by 1997.

Mr Clarke is standing by the spending figures, but the politician who took on the ambulance men and very nearly lost is ready to admit that next year could see a bout of serious industrial unrest.

He has moved swiftly to counter the idea that his Budget's planned cuts in benefits for the unemployed and the sick are the beginning of an assault on the welfare state.

Messrs Michael Portillo, the chief secretary, and Peter Lilley, the social services secretary, have been powerful advocates in recent months of a fundamental shift in the burden of welfare provision from the state to individuals. Mr Lilley last week coined the clever phrase "welfare society". It is no accident that, after being slapped down by Mr Clarke, he has started to refer anew to the welfare state.

On Wednesday the chancellor praised Mr Portillo's undoubted skill in co-ordinating the public

spending round but then tilted at those on the Tory right who wanted to encourage old-fashioned family values. The chancellor seemed to be enjoying himself. But what next?

Like the rest of us, Mr Clarke is not at all sure. He thinks that the Tory party will keep its nerve. Economists at the Treasury (and he does get on with them) say that the recovery is robust enough to withstand in the short term the dent to confidence caused by higher taxes and a squeeze on public spending.

Inflation may be low enough now to get the government through the first year of the public sector pay freeze. But next April will be rough as the voters look at their pay packets and realise that the party which promised them tax cuts at the last election has done quite the reverse.

And once or twice recently the Treasury's economists have been known to get it wrong. If the recovery falters then Mr Clarke's fine arithmetic for spending and borrowing will end up, with many other recent forecasts, in a Treasury waste bin. It is hardly a secure back-ground for the local elections in May and the European elections a month later.

For all their delight this week, Tory MPs fear heavy defeats in those elections might yet demand the government strategy for political recovery.

But all that is for the future. This week Mr Clarke confirmed his standing as the cabinet's accomplished heavyweight. He has succeeded where the prime minister has failed in uniting, for a moment at least, the right and left of the Tory party. He insists that he has not thrown away his fundamental commitment to centre-left one-nation Toryism. But he has found a way to accommodate those who still grieve for Lady Thatcher. Mr Portillo confirmed himself as the cabinet's fastest-rising star, but if the bus which Mr Major has dodged so many times this past year were finally to actually hit the prime minister, then Mr Clarke would be the one who replaced him.

Mr Kenneth Clarke is just like the rest of us. He likes to be patted on the back. So in the aftermath of Tuesday's Budget the no-nonsense chancellor has been in more than usually expansive form.

Entertaining at Downing Street, sipping from a chilled coffee mug in his House of Commons office or putting away a pint or three in the MPs' bar, Mr Clarke has basked in the applause for his debut.

The only moment that he has looked disconcerted was when one of 11's smart caterers offered him a pre-lunch glass of something called elderflower presse.

Never mind that voters will eventually wake up to the biggest mistake in living memory and discover that there is no money to build the village by-pass or new school promised for next year. This government lives by the day and week not the month and year.

Mr Clarke was charged on Tuesday with resetting John Major's government. A public borrowing requirement of 3 per cent of national income – the level which forced Labour to call in the International Monetary Fund back in 1976 – had to be dealt with. But it had to be done in a way that did not give the Conservative party at Westminster an excuse for another collective nervous breakdown.

The new boy at the Treasury – he has been there for only six months though it may seem longer – had also to present a plausible case that a return to fiscal responsibility would not stifle the still-fragile economic recovery.

The judgment at Westminster was that Mr Clarke pulled off the trick. The right and left of the Conservative party were satisfied by the judicious nux of cuts in public increase in public and higher taxes. Tory MPs began to snort as if they had remembered that they belonged to the party of government not opposition.

Some in the Treasury judged the £18n plan to compensate the poor

and the elderly for the imposition of value-added tax on domestic fuel ludicrously generous, but it did take the immediate political sting out of the issue.

Even Mr Norman Lamont, his still-disappointed predecessor, had a good word for Mr Clarke's package. So too did Lord Lawson, not one to lavish praise where criticism will do.

For all his self-confidence and experience of running big Whitehall departments, Mr Clarke resented jibes from city scribblers that he would be at sea at the Treasury because he had not been tutored in theoretical economics.

True to his son-of-the-smokestack roots in the industrial Midlands, he sees economics as the application of common-sense policies according to a set of basic principles.

Governments should hold down inflation and give industry a liberal, lightly regulated, environment in which it can expand.

They should not borrow too much. They should keep marginal tax rates low (he still believes it, honestly), and act as a powerful force for free trade within what, as a good European, Mr Clarke is quite happy

to call the Union. They should also move in from time to time to fill the gaps left by the market, such as education and training and help for small businesses. Stable exchange rates are a good idea because they allow business to plan ahead. So, too, would be a single European currency.

You do not, as Mr Clarke might put it, have to spend your evenings buried in economics textbooks to apply such a common sense approach.

So in the interests of brevity (he thinks it is possible to keep the attention of the House of Commons for no more than 90 minutes) he put a thick red pencil through the Treasury's traditional Budget lecture on the state of the world economy.

But the Budget package was essentially political not just because Mr Clarke has a natural disdain for smart-Alick economists.

Despite his self-confidence he resented jibes that he would be at sea at the Treasury

The curse of Gyllenhammar

Kevin Done and John Ridding sift through the wreckage of the failed merger between Renault and Volvo

Mr Pehr Gyllenhammar is leaving Volvo for the wilderness like a baleful Old Testament prophet cursing his people. Left in isolation by his shareholders and his senior management, he is prophesying only the apocalypse for his abandoned flock.

The Volvo organisation is "crushed", the company "wounded". The critics of his vision are guilty of "turning their backs on Europe and the world" and have "reduced the probability of Volvo's long-term survival".

The rejection of a full merger of Renault and Volvo's automotive operations was also a rejection of all that had been achieved in the last three years of alliance between the Swedish and French automakers, he claimed.

In his most damning imprecation Mr Gyllenhammar warned: "The alliance will not remain. It will be dismantled by a Renault management which has lost its confidence in Volvo. To dissolve the alliance will require time, energy and will be demoralising."

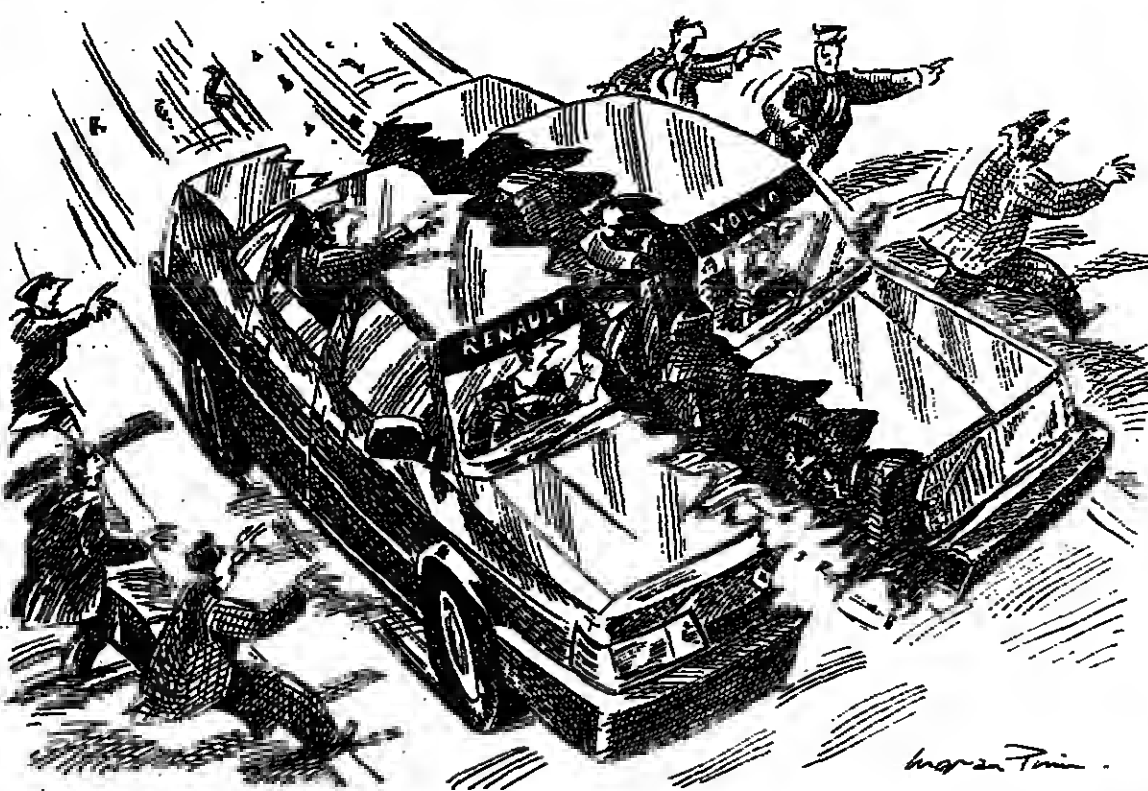
Yesterday Mr Louis Schweitzer, chairman of Renault and the man who shared Mr Gyllenhammar's vision for building Europe's second-largest vehicle maker, was understandably more cautious. "The industrial agreement signed with Volvo in 1990 remains in force. It is not threatened by the failure of the merger," he insisted. "But the dynamism has been lost. We have to look with sangfroid at what we do now. We will examine our projects on a case by case basis."

In reality the choices facing Mr Schweitzer - and Mr Gyllenhammar's successors at Volvo - are bleak. The challenges and threats in the fiercely competitive global automotive industry, which first encouraged the two companies to look at merger as a road to survival in the next century, remain.

The world's car and commercial vehicle makers are haunted by overcapacity, minimal growth in demand, continuous upward pressure on product development costs, increasing price competition, and the need to overhaul radically their components and materials supplier bases in order to reduce components costs.

To make matters worse, the auto industry is still caught in the worst recession in Europe and Japan of the postwar era. Much of the industry is in loss, and those parts still in profit are scarcely making enough money to support the demands for ever increasing investment.

Instead of confronting these external threats Renault and Volvo must now turn aside and use invaluable management time and resources to unpick their relationship.



Outright merger had always been the only logical conclusion of the far-reaching alliance announced by the two companies in 1990 and formalised with an exchange of large minority cross shareholdings at the beginning of 1991. The two companies must now examine what can be saved from their collaborative projects, and assess which activities have been rendered impossible by the breakdown of trust between the organisations, and which areas may lend themselves to collaboration with other rivals.

Some joint activities will still make sense outside the remit of a full merger. The world auto industry is a complicated square dance in which the big players co-operate in some regional markets of the world and compete in others. The exchange of major components such as engines and gearboxes is becoming increasingly common.

Renault already supplies engines and transmissions for the Volvo 400 series. Projects such as this will probably survive.

In doubt, however, will be the future of the ambitious plans that had been put into place in preparation for full merger. These include the establishment of common operations for

purchasing and quality, the merger of car marketing and sales organisations in big markets such as Germany, and the creation of single project teams for the development of new model ranges, such as the joint executive car planned for the end of the decade to replace the Volvo 800/900 series and the Renault Safrane.

If a full divorce occurs, it would

For the French government, the accord was regarded as a vital step before privatisation

leave the Volvo car operations looking particularly exposed. Mr John Longhurst, automotive analyst for UBS, warned that Volvo's shareholders had won "a hollow victory" by stopping the merger. "Volvo car will ultimately wither in the absence of the economies of scale that would only have come from a full merger."

The development without a partner of the Volvo 850, the Swedish car-maker's latest new car project, had almost "broken" Volvo's car division,

said Mr Longhurst. "Its replacement could finish the job."

Most industry observers believe that Renault remains in a relatively healthy position without the merger. "Volvo needed this merger much more than Renault," said one automotive industry analyst in London. Mr Louis Schweitzer, Renault's chairman, is confident that the car group can remain profitable throughout the worst downturn in the world automobile industry.

New products are also on the way. At the beginning of next year Renault will introduce the Laguna to replace the Renault 21. A replacement for the Renault 19 is also due by 1995.

But the collapse of the merger is still a blow. Renault and Volvo predicted cost savings of more than FF300m (£3.4bn) by 2000 as a result of economies of scale in production, combined R&D efforts and joint purchasing programmes. Renault was also aiming to capitalise on Volvo's strength in upper-range cars and safety technology.

From Renault's perspective, the merger was particularly important in commercial vehicles, where Volvo is stronger. "In the trucks sector, now more than ever you have size prob-

lems," said Mr Schweitzer. "R&D costs are growing rapidly and these are the kind of costs saved by a merger."

It seems inevitable that the process of picking up the pieces will take place in a mood of bitterness. Renault said it "deplored" Volvo's failure to ratify the merger. "This is an unpredictable partner," said Mr Gérard Longuet, the French industry minister. "It is a missed opportunity for European industry."

Most troubling for Mr Schweitzer is the state of limbo in which the group finds itself. "The alliance with Volvo was meant to lead to a merger and synergies between the two groups," said one industry observer. "Instead Renault now finds itself with an albatross around its neck."

Mr Schweitzer has consistently maintained that, without a merger, the existing co-operation would be jeopardised. "It has always been a two-stage process," he says. "Co-operation has worked because we were heading towards a common goal of the merger."

For the French government, the accord was regarded as a vital step before the privatisation of its automobile group, one of the most attractive assets on the list of 21 publicly owned groups slated for sale over the next five years. Resolving the status of the alliance, and in particular the cross shareholdings, will be crucial to the privatisation. In January 1991, Volvo took 20 per cent of the shares in Renault and 45 per cent of the shares in its trucks and buses division. Renault took 25 per cent of the shares in Volvo's car operations, 45 per cent of its truck activities and about 10 per cent of the voting capital in the parent company.

The French government said the failure of the merger did not affect its intention to privatise the car group, but it could hardly do so soon. "For one thing, who would buy shares when the situation is so chaotic?" asked one merchant banker in Paris. "Second, the French government must be nervous about the prospect of having Volvo so prominent in the share register after everything that has happened."

The result is likely to be a delay in Renault's privatisation, which may be welcomed by the government. It "may now be able to wait for conditions in the automobile market to improve to maximise its revenues," said Mr Philippe Barriere, automobile analyst at Société Générale, the financial group.

But the state of the car market is hardly the priority for either Renault or Volvo. Business-as-usual must take a back seat as they struggle to emerge from the wreckage of the failed merger, with Mr Gyllenhammar's prophecies ringing in their ears.

Lionel Barber on what may be the final stages of the Gatt talks

A tonic for Euro-malaise

The Gatt world trade talks have moved decisively into an endgame.

Failure remains possible, but high-level talks in Brussels this week between the US and the European Union have left the impression that a deal would deliver a much-needed lift to confidence.

This was a theme in the report "Beating the Crisis", by the European Round Table, the business leaders' group, unveiled yesterday in Brussels in the presence of Mr Jacques Delors, president of the European Commission. He, too, has undergone something akin to a conversion on Gatt.

A year ago, Mr Delors was happy to deliver sermons on the plight of the French peasant and the need to stand up to "Big Brother" across the Atlantic. But recently he warned his fellow Frenchmen to snap out of their "national psychodrama" and to avoid retreating behind a modern-day Maginot line, the ineffective defence system built between the wars to stop a German invasion.

The analogy is telling. It suggests that the collapse of the

Gatt talks - if attributable directly to the French government - could crack the Franco-German alliance which remains the anchor of the European Union. What ever its present strains. In this spirit, members of the German Industry Federation have pointed out to their counterparts in the French Patronat that, since German manufactured exports account for 13.8 per cent of world manufacturing exports, Germany's vital interests are at stake in a Gatt deal.

UK officials are equally blunt. They draw a picture of a European Union split between northern free-traders and a protectionist rump of Latin countries led by France. The likely result would be a rash of unilateral actions against cheap imports, the end of a unified EU trade policy, and the end of the single European market.

The broader concern is that Europe gets caught in a world of managed trade between blocs. Last month's Apec summit in Seattle was viewed in Brussels as an implicit threat that the US could gain preferred trading partnerships in the fast-growing Asian markets. When Mr Warren Christopher, US secretary of state, warned this week that a failure in the Gatt talks would damage the transatlantic alliance, he was taken seriously.

Similarly, Europeans fear a trading system without established rules and codes for regulating the subsidising and dumping of exports and setting trade disputes. It would mean "a licence to kill," said a senior Commission official.

This reveals the widespread sense of vulnerability in Europe provoked by the conflict over the Maastricht treaty, the collapse of the European Monetary System and now the phenomenon of mass unemployment. A Gatt deal would not be a miracle cure, but it would restore confidence in Europe's ability to act collectively on a matter of vital interest.

The fear of the "beggar-thy-neighbour" policies of protectionism and competitive currency devaluations reminiscent of the 1930s has galvanised European industry. While estimates of an annual \$250bn boost to the world economy are long-range and perhaps exaggerated, business leaders argue that a deal would deliver a much-needed lift to confidence.

By primary school age the damage has been left too long unchecked. Diana Schomburg, 27 Gloucester Circus, London SE10 8RY



Few ladies in red

Leyla Boulton on women in Russian politics

Ms Alekandra Fedulova is the best Russia can offer as a female leader with the kind of clout once held by Mrs Thatcher. Blonde and articulate, she hopes to make big political advances for women as leader of the country's first party dedicated to female rights. In next week-end's parliamentary elections, Women of Russia is putting up 44 female candidates for the 450-seat State Duma.

Ms Fedulova has a reputation as a formidable operator. Under the old Communist regime she headed the Pioneer youth organisation, which ran holiday camps for millions of children, where Marxist-Leninist values were mixed with games and music lessons.

This experience is both a disadvantage as well as a plus. Her background as a pillar of a Communist regime that did little to advance women's well-being means female voters, eager for a greater voice in Russian politics and society, are reluctant to support her. She admits the Communists "proclaimed rights which were never applied in practice".

It is ironic that Ms Fedulova finds herself the founder of Women of Russia - and it is a sign of the difficulties women's rights activists have had in organising themselves in a fledgling democracy. So far, few women have been able to gain the experience necessary

to form parties. The problem is not new. Equality between the sexes, promised by the Bolsheviks in 1917, meant, in practice, that many women were forced to work in heavy industry and other traditional male jobs but still to carry the burden of domestic duties.

As a result, Women of Russia seeks to appeal to women voters through largely pragmatic issues - for instance, pledging to give women the option of staying at home and stressing the importance of improved healthcare. It talks about bringing "feminine qualities" - meaning reliability and tenderness - into Russia's male-dominated political arena.

The party is unique in trying to turn women's rights into a political issue - even though females account for 75 per cent of the unemployed and abortion remains the most common form of birth-control. The concern of most other political parties revolves around the threat of a declining birth rate to Russia's influence as a world power and promises of improving health care.

One exception - Russia's Choice, the party set up by young radical reformers in the

Russian government - has put Ms Ella Pamiolova, the social welfare minister, at number three on the party list used in the system of proportional representation. But in spite of her popularity, most women activists regard her selection as a token gesture.

Similarly, Mr Grigory Yavlinsky, the economist, has promised that the radical alliance he leads would try to pilot an equal opportunities law through the new parliament.

The pervasive indifference is due largely to the lack of pressure from women themselves. Many blame themselves for the dominance of men in Russian society and politics. "We spoil our men," explains Mrs Natalya Starkova, a 60-year-old English-language teacher at Moscow University. "They are accustomed to expecting Russian women to go out to work, to do everything at home and to look pretty for them in the evening." Women made up less than 6 per cent of the last Russian parliament - against a third under the Soviet regime.

Politicians' wives traditionally stay in the background. Mrs Raisa Gorbachev, the only Soviet leader's wife to venture into the limelight, became unpopular because of her aloof image and taste for foreign clothes. President Boris Yeltsin has tried to avoid the same problem, keeping Mrs Marina Yelshin behind the scenes. Not one candidate's wife has appeared on the campaign trail or posters.

Oiga, the 36-year-old wife of Arkady Murashov, a leading candidate for Russia's Choice, says politicians' wives could play a more prominent role "if things are done well, not like Mrs Gorbachev".

The result of the relative sidelining of women is that the elections are unlikely to advance their cause. Nor are they likely to help themselves in Russia's first democratic election. Many believe that supporting Women of Russia would be to waste their vote when economic reform as advanced by Russia's Choice is more important at this stage in Russia's history.

"I'm all for getting more women into parliament," says Mrs Starkova, who plans to vote for Russia's Choice. "But this time the main task is to fix our economy and Women of

Russia can't do this." A few others are running as independents with an emphasis on women's rights. Mrs Fedulova agrees women themselves are part of the problem. Her task is to convince them of their strength.



Indifference: women have failed to organise effectively

A deep suspicion, not trust, of benchmarks

From W S Bainbridge. Sir, What an interesting article by John Cuthbert ("Put your trust in benchmarks", November 27-28). It has become my experience over the years that the top unit trusts are out there waiting for me to invest. Receipt of my money is their signal to leap off the cliff into obscurity, cackling insanely. Their "health warning" should surely read: "The value of your investment may plummet..." But in the end the article disappointed. Unless you (or someone clever like you) were

to publish and maintain a risk/benefit benchmark table along the lines of that suggested the average decaying simpleton like me will decide to help. In these parts standard deviations are looked upon with deep suspicion. I don't allow them in the house, and if I find one in the garden I stamp on it smartly with my green wellies. W S Bainbridge, 49 School Lane, Ashurst Wood, East Grinstead, East Sussex RE19 3QP

Much more than a façade

From Mr Peter Morgan. Sir, Observer falls into the error "Directorless", November 30 of regarding the IoD's building in Pall Mall merely as an administrative headquarters. Behind its historic façade is a heavily used, modern business centre at which, every day, businessmen and women transact business with customers, suppliers and clients. Far from being a burden, our

Pall Mall facilities are central to the service the IoD offers to its members, and make a substantial contribution to its revenues.

The challenge for my successor will be to build on its present success. Peter Morgan, director general, Institute of Directors, 116 Pall Mall, London SW1Y 5ED

LETTERS TO THE EDITOR

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Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Road tolls: excise option more efficient and fairness essential to their success

From G W Goddin.

Sir, Transport secretary John MacGregor ("Motorway charges put on hold until after election", November 26) will be doing very well to develop a scheme for electronic road tolls by 1998. Quite apart from the little matter of the election, there is the total antipathy (initially apparent in the "Traffic in Towns" report, 1994) of the department of transport and of road lobbies to any kind of direct charging of motorists for road use.

At present the only "usage tax" (as related to road use, not ownership) is fuel excise duty at some £1.20 per gallon - that is, 6p to 3p per mile for large to small cars. To equate to typical EU toll levels and city public transport charges this direct charge ought to be three to four times higher.

Thus Mr Kenneth Clarke, the chancellor, is to be congratulated for embarking on this route, for excise duty tolls are not only cheap to collect and hard to avoid, they also have formidable effects on fuel efficiency and pollution, and they surcharge congestion.

Mr Clarke's excise tolls are far superior to Mr MacGregor's electronic tolls which, given the negligible R&D pursued so far, could easily remain unsuitable as a means of charging for direct road use for a very long time.

G W Goddin, 14 Rusky Avenue, New TW9 4DN

motorway charging as soon as the electronic technology is ready almost certainly defers implementation of any such scheme until after the next general election. However, it does not defer the need to continue efforts to ensure that charging, when it comes, is both sensible and fair.

Once again, it seems probable that the intransigence of the Treasury will turn out to be the main obstacle. Charging can be made acceptable to the motorist only if the money raised is committed to spending on the road network; is additional to current road investment; and there is a realignment of other motoring taxes to make introduction of a charging system fair and not unduly onerous.

If the Treasury cannot accept direct hypothecation of reve-

nue from user charges then the motorist will resent motorway charging. An unfair system will have "poll tax potential", and could backfire on the government. The UK's 50m motorists make up a significant proportion of the electorate and will not accept a proposal that is grossly unfair. The Treasury should look to the future and radically review its own rules, which look increasingly like outdated dogma.

For those concerned about provision of a road network on which the economy will remain hugely dependent, the battle over the coming months must be to secure a fundamental Treasury reappraisal.

Jeffrey Rose, chairman, The Royal Automobile Club, 89/91 Pall Mall, London SW1Y

The child as a thinker

From Ms Diana Schomburg. Sir, After all the recent hand-wringing and talk of moral teaching how refreshing to read Christian Tyler's interview with Karin Murrin in which she stresses the importance of teaching children to think (Private View, November 27/28).

Towards the end of my teaching career in a south London school the thing that depressed me most was the growing mindlessness among pupils - a kind of animality, so unthinking that it often led to self-inflicted injury, as well as harm to others. Children lived in a dream world of pop and rap, aware only of the values inculcated by trivia and video nasties. How can anyone instil morality until such children learn to think clearly.

By contrast, the article by John Williams in the same issue ("Things can be done: Hand-wringing over the James Bulger case is misplaced") was faint-hearted and unimaginative. Even if there is not enough money for universal provision, at least we could provide it for priority areas. Having done so, we must make sure that the very best teachers are appointed to work in them. They could make a tremendous difference to a child's future (partly because problem children and families - would be spotted earlier).

By primary school age the damage has been left too long unchecked. Diana Schomburg, 27 Gloucester Circus, London SE10 8RY

A healthier view of the deficit

From Mr Martin Thomas. Sir, The chancellor uncharacteristically missed a trick in his Budget. As part of the government's "back to basics" campaign, he should have reinstated the tra-

ditional British billion. That would have cut the deficit to £0.6bn at a stroke. Martin Thomas, chairman, Praxis, 20 Marvers Street, Bath BA1 1PX

COMPANY NEWS: UK

Long handover period has led to confusion about future direction

Ladbroke postpones FID decision

By Michael Skapinker, Leisure Industries Correspondent

The Ladbroke group is believed to have drawn back from its announcement earlier this week that it would definitely take advantage of the new foreign income dividend scheme.

The group is thought to have decided to postpone a final decision on whether to make use of the scheme until it has had time to discuss the matter with its shareholders.

Ladbroke announced last Wednesday that it would take advantage of the foreign income dividend (FID) scheme when paying its 1993 final dividend in early July 1994. The announcement was one of the factors which led to the group's share price falling from 171½p at the start of trading on Wednesday to 145p yesterday.

Using the scheme would result in a significant loss to pension fund investors because FIDs, unlike conventional dividends, do not carry a 20 per cent tax credit which tax-exempt investors can reclaim.



Cyril Stein: to retire on January 1 next year

The confusion over whether or not Ladbroke had made a final decision on FIDs appears to have arisen from a senior management hiatus at the group, following the announcement last September that Mr Cyril Stein, the veteran chairman, was to retire. Mr John Jackson, the new chairman, and Mr Peter George, the new chief executive, do not formally take up their positions until January 1.

The long handover period has led to some uncertainty as to the group's future direction. The revelation this week that discussions were taking place over the future of Mr Michael Hirst, head of the FID ton International hotels subsidiary, is believed to have arisen from the same confusion.

Mr Hirst is regarded as an outstanding hotel operator but the group had decided that a new senior manager was needed to work alongside him to exploit one of the world's best-known brand names.

While discussions were going on, Mr Hirst sold 125,000 Ladbroke shares. The group said Mr Hirst sold the shares for personal reasons. The sale was announced on Budget day, four days after it had taken place. This created the impression that the group was trying to hide the share sale and also forced a premature announcement that discussions were taking place about his future.

The new leadership at Ladbroke is expected to take steps to improve its communication with investors and the press in an attempt to avoid such mishaps. It is thought that many in the group now accept that its traditional reliance has led outsiders to assume the worst about its fortunes.

Greycoat shareholders approve rescue plan

By Peggy Hollinger

Greycoat won a new lease of life yesterday when shareholders overwhelmingly approved an £88m rescue plan presented by South African financiers, the UK Active Value Fund.

The agreement came just one week before trustees of the property company's zero coupon bond holders were due to pull the plug.

Greycoat is now believed to be preparing an approach to work with Postel, the senior £180m real estate lender who was rejected by investors in October.

It is thought that Greycoat will seek to implement some of the ideas discussed with Postel as part of its original rescue package. There has been some speculation that in the longer term, the pension fund group might join forces with Greycoat on the Paternoster Square development, near St Paul's Cathedral in London, among other sites. Postel also has a property portfolio worth £2.3bn which it is keen to exploit.

In the past, Postel has developed its property through joint ventures. Such a strategy would suit the revived Greycoat, which will in future seek to fund its developments on a project by project basis.

Greycoat is expected to set up joint ventures, in which it would provide the site and/or development expertise. Financing would come from joint venture partners. Postel's strength lies on the financing side, with a £220m fund at its disposal.

Neither party would comment on such a proposal. Mr Alastair Ross Goobey, chief executive of Postel, said yesterday he was not bitter about the decision by shareholders to accept the UKAV offer over his own. "I am delighted the company has been rescued. It has a good future with a first class portfolio," he said.

Mr Geoffrey Wilson, Greycoat's chairman, said the company was now "back on a completely sound financial footing". Greycoat had an existing portfolio which would generate organic growth even "without looking for more business," he said.

Each of the group's four classes of stakeholder voted in favour of the financial restructuring which will result in a 37 per cent reduction in borrowings to £234.5m, raise £86m before expenses and remove the breaches of covenant which threatened to sink the group. The deal also allows preference holders to convert all or part of their shareholding into ordinary shares.

Celltech undersubscribed

Celltech, the emerging bio-technology company, received applications for 1.84m of the 7m shares available to the public in its flotation.

Last week, Celltech successfully raised the entire 20m shares, raising £50m. Celltech said yesterday the shares were not expected to be a short-term investment. The flotation raised £27.3m after expenses.

DIVIDENDS ANNOUNCED					
	Current payment	Date of payment	Covers - dividend	Total dividend	Total dividend
Adare Printing	0.345	Mar 4	0.5	1.89	
Garrone Scott	2.4	Feb 25	2.3	10	
Umeco	0.75	Feb 14	0.75	1.75	

Dividends shown per share net except where otherwise stated. TON increased capital. USM stock, 44th penny. 4th quarter dividend.

NEWS DIGEST

Dares Ests agrees refinancing

Dares Estates, the property investment and development group, has reached agreement with its principal lenders for a restructuring of its banking arrangements.

The deal, which is subject to shareholders' approval, also involves a reorganisation of the company's share capital.

Under the terms of the agreement, the main creditors will convert a proportion of the debt into preference shares and extend the maturity date of the balance.

At a later date the new preference shares will be convertible into ordinary equity, which if fully taken up, would

give lenders some 39 per cent of the enlarged share capital.

Charles Saatchi quits board

Mr Charles Saatchi has resigned from the board of the holding company of which Saatchi & Saatchi, the advertising agency he founded with his brother Maurice in 1970, is a part. He is to become honorary president of the company and will "concentrate on his creative role for the group".

AAH expands pharmacy side

AAH, the diversified distribution company, has acquired Foster & Plumpton, an operator of 29 retail pharmacy outlets in Yorkshire and Humberside, for an initial £12.5m.

Consideration will be met via £7.5m in ordinary shares with the balance in loan notes. An additional sum not exceeding £500,000 is dependent on valuation of the net assets being acquired.

For the 12 months to September 30 1992 F&P returned profits before tax of £212,000. Net assets at that date totalled £588,000.

AAH estimated that F&P would contribute profits (before financing costs) of not less than £1.5m for the year to March 31 1995 as a result of reduced overheads and operational synergies.

Explaura Holdings cuts loss to £1.1m

Reduced pre-tax losses of £1.1m were announced by Explaura Holdings for the half year to June 30. Losses last time for

the USM-quoted company, which acquires limestone aggregates in Newfoundland, Canada, were £1.7m.

The loss reflected an extremely low level of activity, the company said, with sales restricted to existing stocks at its New York terminal.

However, following the settlement in September of the strike which hit the concrete industry in New York, record daily sales were being achieved and the terminal was operating at maximum capacity.

Turnover in the period halved to £585,000 (£1.1m). Losses per share fell to 0.72p (£1.1p).

Umeco advances to £154,000 at midway

Umeco, the USM-quoted aerospace components distributor and maker of aircraft refuel-

ers, reported pre-tax profits up from £53,000 to £154,000 for the six months to September 25.

The improvement was achieved on turnover up by £461,000 to £5.01m.

The directors said that the raising of £1.04m earlier in the year had left the group with net assets of £3.5m and net cash of £500,000 after a term loan of £375,000 at the end of the half.

As a result Umeco had interest receivable of £5,000 in the period (£54,000 charge). Earnings per share came out at 1.1p (0.8p) and the interim dividend is maintained at 0.75p.

Baird to make £3m deferred payment

William Baird, the textiles and engineering group, has confirmed that the additional consideration of up to £3m for the

Asda disposes of Allied to Carpetland in equity deal

By David Blackwell

Asda has sold its Allied business to Carpetland in a deal that will create the highest carpet retailer in the UK.

Under the deal, Asda has subscribed for £2m of ordinary shares in Carpetland, which was acquired from the Lowndes Queensway receivers in a £12m management buy-out in 1991. This will give Asda an initial 40 per cent equity interest in the enlarged group, which will have 200 stores and be renamed Allied.

Asda's interest in the group can be increased to not more than 50 per cent, depending on the realisation value of Carpetland on a flotation or trade sale.

Asda, the UK's fourth largest grocery chain, has emerged from severe financial difficulties at the end of the 1980s determined to concentrate on its core business.

Mr Archie Norman, chief

executive, described the disposal as "a problem solved. Allied has been in decline for a number of years and threatened further losses."

In the last two financial years the Allied business, which has soaked up more than £100m of investment since the late 1980s, incurred operating losses totalling £17.7m.

Carpetland made operating profits of £771,000 on turnover of £54.5m in the 12 months to the end of January. Mr Ray Nethercott, managing director, said that this year, before the acquisition, the company had been expecting profits of £2.5m on sales of £90m. "Business has been flying in the last 12 months," he said.

Mr Nethercott stated that there was "real commercial logic" in the deal.

The combined group would have turnover of about £200m a year. He expected to have the group showing healthy profits in 18 months through cost sav-

ing measures, particularly on marketing and advertising. He hoped to bring the company to market "within three years."

As part of the deal, CINVEN, the venture capital group and existing majority shareholder in Carpetland, is subscribing for £5m of 12½ per cent preference shares and Asda is subscribing £10m of 12½ per cent redeemable loan stock.

In the profit and loss account Asda will take a write-off of about £70m, mainly reflecting the total book value of its historic investment in Allied and Maples. It will also make a charge of £53.3m goodwill.

Mr Norman, who joined Asda 20 months ago, said he was pleased with the deal, which took another distraction away from management. Asda's debt had fallen from £700m to well below £100m since he joined. He expected to sell the 20 remaining Maples stores, "within the next two months."

See Lex

Carpet distribution a 'jungle'

Carpet distribution in the UK "has been described as a jungle", according to a recent report from Mintel, the market research organisation. It is "highly fragmented with a large number of independent retailers and a small number of multiple operators", writes David Blackwell.

Allied Maples was the largest single outlet, followed by Carpetright, with 116 stores and a turnover of about £78m in the year to end-May. Carpetright was set up in 1988 by Sir Philip Harris, former chairman of Harris Queensway, with MFI, and was floated on the Stock Exchange last June.

An estimated 9,500 outlets sold floor coverings last year, including just over 6,000 independent retailers. About 2,200 stores were

owned by multiples, with the remaining 1,300 belonging to voluntary buying groups such as AIS, Floorcall and Green Group, as well as department stores and DIY shops.

Mintel estimates that retail sales this year of machine made rugs and carpets will reach £1.35bn, up from last year's £1.3bn but still below the peak of £1.5bn in 1989. The market has been affected by fragile demand and price discounting which has curbed margins for both manufacturers and retailers.

The multiples deal direct with producers, and have the upper hand. The independent retailer either buys from a wholesaler or belongs to a voluntary buying group. Wholesalers distribute 30 per cent of carpets and are reliant on the performance of the independent sector.

ICI in talks over sale of US arm

By Andrew Bolger

Imperial Chemical Industries is in talks to sell its Arizona-based Fibreite Composites Business, the last significant legacy of the UK chemical giant's unsuccessful venture into advanced materials.

ICI said market rumours had forced it to announce the possible disposal. If and when a deal was concluded, it would involve the withdrawal of about £100m, including £77m of purchased goodwill. However, ICI refused to identify the prospective buyer or the price. The shares closed 7p lower at 76½p.

Fibreite, which employs about 800 people in the US and several dozen in Germany, produces thermo-set materials in their unfinished state, or pre-pregs.

Fibreite was bought in 1984 as part of ICI's £750m acquisition of Beatrice Chemical of the US. Pre-pregs, made of woven carbon fibres and resin, are used to make aeroplane parts such as tail fins and wing flaps.

ICI decided to get out of advanced materials before the restructuring process which saw the hiving off of its pharmaceuticals arm earlier this

year to create Zeneca. ICI said yesterday: "Advanced materials have not fulfilled the growth potential we saw in them in the 1980s."

Analysis said ICI was at a competitive disadvantage in the manufacture of pre-pregs because it had to buy most of the feedstocks from rival chemical groups.

One said ICI produced a significant proportion of the added value in thermo-set, so the intrinsic profitability was small.

Fibreite last year made an operating loss of £10m on sales of £94m.

Ferranti job losses played down

By Andrew Jack

The receivers to Ferranti International, the UK-based defence electronics group which collapsed on Wednesday, yesterday played down suggestions that up to 14 per cent of the worldwide workforce may lose their jobs.

In plans drawn up by management in advance of the company's collapse after the General Electric Company withdrew its takeover bid, 500 employees of the 3,000 workforce were being considered for redundancies.

The team of more than 60 receivers from accountants Arthur Andersen have been holding meetings with union

representatives to prepare them for possible job losses. Most of the losses would be in the UK, which has a workforce of about 3,000.

However, Mr John Talbot, one of the joint receivers and head of insolvency at Andersen, said: "We are optimistic about the group and the ability to sell many businesses as going concerns."

He said he had received "lots of expressions of interest" from possible buyers of Ferranti businesses, but that he would not be considering any serious offers until after he had completed more detailed investigations and developed a strategy for the company's future.

Sales of some parts of the

group would need clearance from the Ministry of Defence because many contracts are for highly sensitive military equipment.

A number of companies within the Ferranti group are continuing to trade and have not entered receivership, including the joint ventures and most of its overseas operations.

Mr Talbot also confirmed suggestions that he would consider demanding more money from customers on any loss-making contracts Ferranti was currently undertaking. He said it was "quite possible" that some customers had already been approached to discuss the position.

Bokaemper to head Forte hotels

By Michael Skapinker, Leisure Industries Correspondent

Forte has appointed Mr Stefan Bokaemper, a senior executive with InterContinental Hotels, to head its luxury hotels division.

The appointment of Mr Bokaemper follows Forte's failure earlier this year to persuade Mr Willi Bauer, former general manager of the Savoy Hotel, to take the job. Mr Bauer said the post would have involved too much travelling.

Mr Bokaemper is currently InterContinental's executive vice-president in the Asia-Pacific

region. He has been with the company for 26 years and will become managing director of Forte's exclusive hotels division. This is made up of 16 hotels, including the Hyde Park Hotel in London, the George V in Paris, the Ritz in Madrid and the Sandy Lane in Barbados.

Mr Rocco Forte, Forte's chairman, has said he would like to merge the division with the Savoy group's hotels. Forte holds a majority of the Savoy's shares but a minority of voting shares.

Forte is also in talks to take over the management of Ciga, the Italian-based luxury hotels group.

On Thursday the shares shed 8p, which the company said it understood was the result of a small volume of selling in the market.

For the year to April 30 YRM incurred pre-tax losses of £1.98m.

Govett Endeavour net assets fall

Net asset value per share at Govett American Endeavour Fund, the Jersey-based investment concern, fell to 155 cents as at September 30, compared with 170 cents a year earlier.

Total income for the six months rose from \$5.82m to \$6.19m (\$4.15m) while net revenue came through ahead from \$3.4m to \$4.68m.

Earnings per share were 8.6 cents (6.35 cents) and the interim dividend is unchanged at 5.32 cents.

Handwritten signature or mark.

French banks to take leading roles in Euro Disney debt talks

By Alice Rawsthorn in Paris

The Euro Disney banks have formed an official steering committee to represent them in the negotiations towards an emergency financial restructuring package for the ailing leisure group.

The committee, which includes 11 of the 60 international banks that own Euro Disney's FF20.5bn (\$3.45bn) net debt, plans next week to meet representatives of Euro Disney and Walt Disney, its US parent company, in order to begin discussions over the restructuring.

The formation of the steering committee should enable the restructuring negotiations to get under way. "This is going to be a very tense, complicated affair," said one of the members. "The sooner we start talking to Disney in earnest the better."

Banque Nationale de Paris and Banque Indosuez, the French banks, will take leading roles in the steering committee.

BNP is the head of the 1989 banking syndicate that provided loans to Euro Disney to finance the construction of the Euro Disneyland theme park. Indosuez led a second syndicate in 1991 which lent money

to build the park's hotels.

The other French banks on the steering committee are Crédit Agricole and Crédit National. Caisse des Dépôts, the state-controlled French financial institution, will also be involved, although it is negotiating independently with the Disney camp over the terms of its FF4.8bn fixed interest rate loans.

JP Morgan and Citibank, the powerful US banking groups, are also represented on the committee: as are Deutsche Bank of Germany, Barclays and National Westminster of the UK and Lloyds of Japan.

Walt Disney, advised by Lazard in New York, last month laid out its case to the creditor banks at a special meeting in Paris. It hopes to halve Euro Disney's debt to around FF10bn by persuading the banks to exchange part of their loans for equity and by staging a rights issue.

However, the banks are anxious to ensure that Walt Disney will play its part in alleviating the financial strain on Euro Disney, which is advised by SG Warburg in London.

The steering committee is next week expected to table proposals for Disney to reduce its royalty entitlement from Euro Disney.

Sweden to privatise state forest interests

By Christopher Brown-Humes in Stockholm

Sweden yesterday unveiled its biggest privatisation to date when it announced plans to raise between SKr5bn (\$860m) and SKr8bn from the sale of a 49 per cent stake in a new grouping of state forestry interests.

It also signalled it was aiming to sell off Pharmacia, the pharmaceuticals group which used to be part of Procordia, in May or June next year.

This probably means that plans to privatise two other state-owned groups, Nordbanken and the electricity giant Vattenfall, will be deferred beyond next September's general election.

The forestry company, which will be one of Europe's top 10 pulp and paper groups, has a market value of between SKr10bn and SKr16bn, according to Mr Per Westerberg, the Swedish industry minister.

It will be privatised in the spring once three existing forestry groups - Assi, Domän and Ncb - have been combined. Assi and Domän, both 100 per cent state-owned, are to combine at the year-end before making an all-share bid for Ncb, in which the state holds 51 per cent, in February or March.

Most of the shares in the group are to be offered to the Swedish public. This follows heavy criticism of Sweden's last privatisation when the public offered to buy 80m shares in the defence group Celsus, more than 17 times the 4.6m shares allotted to them.

The new group will have annual sales of SKr15bn making it nearly as big as MoDo, Sweden's third largest forestry company. It will be Sweden's largest forest owner and its biggest producer of sawn timber products.

Pharmacia, the next privatisation candidate, is Sweden's second largest pharmaceuticals group after Astra. It is 46 per cent state-owned, after Volvo and the government, Procordia's main owners, agreed to divide the company last month.

Pricing crucial for Credito Italiano

Haig Simonian examines prospects for Italy's first big privatisation

At 4pm this afternoon, potential shareholders in Credito Italiano, Italy's seventh biggest bank, will learn how much the government expects them to pay for the 840m shares being put on the block in the country's first big privatisation.

Making the Credito Italiano flotation a cast-iron success is essential for the credibility of Italy's long-delayed privatisation programme.

A keen price for Credito Italiano is a must for many reasons. In spite of the L10bn (\$5.8m) advertising budget and an unprecedented selling campaign, next Monday's opening day of the flotation is far from ideally timed in view of the difficulties facing the bank and the Italian economy.

This year will be one of the toughest on record for the banking sector. Analysts expect heavy provisions on loans to recession-hit industry and a squeeze on margins because of falling interest rates. Large rises in fee-related income thanks to the buoyant stock and bond markets will counter the impact, but profits will remain subdued.

Credito Italiano is heavily exposed to some of Italy's most serious corporate crises, notably Ferruzzi, as well other prominent rescue candidates. Ominously, the draft prospectus warns: "Provisions for pos-

sible loan losses in 1993 will be much higher than in 1992 and exceed amounts deductible for tax purposes."

The less than ideal timing, coming before even preliminary 1993 figures for the bank are released, is accentuated by the turbulent political climate. Next week, the sparks are likely to fly in Rome as parliament gets to grips with the 1994 budget.

General elections are expected to follow before long. The poll, forecast for early next year, will mark a crucial step towards the renewal of Italy's political class, largely discredited by corruption scandals.

In the meantime, the stock market will remain a hostage to any of a thousand imponderables on the political front.

Credito Italiano's privatisation is also a pace-setter for other deals over the next two years. In February, the treasury is to sell up to 30 per cent of Istituto Mobiliare Italiano, the Rome-based financial services group. That will be followed within weeks by the flotation of IRI's majority stake in Banca Commerciale Italiana, another big bank, and by a first tranche of the INA state insurance group.

If all goes to plan, 1994 will close with the privatisation of a stake in the Enel electricity generating authority.

This week, the treasury

appointed Mediobanca, the Milan merchant bank, and Merrill Lynch of the US as global co-ordinators for the deal. The year after should see the privatisation of the Stet telecommunications group and most of the energy assets of the Eni energy and chemicals concern.

A successful sale of Credito Italiano's shares would set the tone for subsequent transactions.

"If investors find themselves with a tidy premium, they'll obviously be more likely to put up money for the other deals," notes one experienced UK public relations man advising the treasury.

By contrast, a flop would cast a shadow over the entire privatisation process. Many investors recall the 1983 flotation of an initial 30 per cent of Istituto Bancario San Paolo di Torino, the big Turin bank. After trading briefly at a premium, the shares soon fell below the issue price and have not recovered since.

The need for a success is accentuated by Italy's extremely tight timetable for privatisation. IMI is due to make its debut barely two months after Credito Italiano and BCI will follow within weeks. "Investors will have to have exceptionally short mem-

ories to prevent them being influenced by a Credito Italiano flop. The treasury has got very little margin for error," says one Milan analyst.

To some extent, matters are outside the government's control. The political scenario is so strewn with potential hoobys that trying to steer round them appears pointless to many. Further signs of polarisation in voting patterns in Sunday's mayoral run-off elections, a surge in support for the neo-fascist MSI party, or inflammatory statements from the autonomist Northern Leagues could all give investors a fright and set the bourse tumbling.

At least Mr Achille Occhetto, leader of the Democratic Party of the Left, (the former Communists), which performed strongly in last month's partial municipal elections, has pledged to support the government in getting the 1994 budget through parliament.

Given the risks, the treasury may veer towards generosity in pricing Credito Italiano. This week, the marketing machine has moved into full swing, with plentiful hints that the offer will be oversubscribed. Were Italy on its 10th privatisation, ministers could afford to be tough on pricing. In the circumstances, discretion may be the better part of valour.

BCE pays \$275m for stake in US cable TV

By Robert Gibbens in Montreal

BCE, Canada's biggest company, has finally sold its financial services and property interests and is investing in US cable TV in preparation for the multi-media age.

BCE will now be solely a telecommunications group with large international interests in the Americas, Europe and Asia. It controls 54 per cent of Northern Telecom, the international equipment maker.

"Our policy is to pursue leadership in telecommunications," said Mr Lynton Wilson, chairman.

The group is paying US\$275m for 30 per cent of Jones Interchange, a Colorado-based cable TV operator with a subscriber base of 1.3m homes in 24 states and cable investment in the UK and Spain.

BCE has an option to take 51 per cent of Jones and will invest to its expansion.

BCE said the move gives it a major presence in the US home entertainment market without making a "blockbuster investment of the kind that some US telephone companies have made". It already has cable TV investments in the UK.

In addition BCE has sold its fully-owned loss-making financial services unit, Montreal Trustco, Canada's fourth biggest trust company, to the Bank of Nova Scotia for nearly C\$300m in the bank's stock. The deal includes all MT assets and liabilities except C\$100m of office buildings.

BCE is expected to sell the bank shares and the office buildings. It paid C\$180 for MT in 1989 as a diversification, including a recent capital infusion. It will take a C\$400m write-down to cover its losses on the deal.

BCE is disposing of its remaining property interests to Carsons, a Hoes-Ber holding company, for a nominal sum. This will require a C\$350m write-down.

BCE's total write-offs for 1993, including C\$84m for its share of Northern Telecom special charges, will total almost C\$1.7bn.

Hoogovens share issue set to raise Fl 330m

By Ronald van de Krol in Amsterdam

Hoogovens, the Dutch aluminium and steel group, has priced its issue of 8.3m new shares at Fl 40 (\$21) each to raise about Fl 330m towards bolstering its balance sheet.

The retail phase of the two-phase offer opened yesterday and is due to close on Tuesday. If demand is heavy, some shares earmarked for institutional investors and the Dutch state will be clawed back for sale to private investors.

The first phase of the offer, a private placement of shares with institutions and the Dutch state, was oversub-

scribed when it closed on Thursday night.

The company said the institutional placement had achieved a good spread between the Netherlands and overseas investors but it gave no further details.

The state's participation could raise the national government's stake in Hoogovens to a maximum of around 17 per cent from the current 12.3 per cent.

However, the decision by the city of Amsterdam to sell its 5 per cent stake in Hoogovens to institutional investors in the summer means overall ownership by public authorities will be no higher than it was before.

Delay on super-share ruling

By Nikki Tait in Sydney

Mr Rupert Murdoch's News Corporation will not know until next year whether it is permitted to issue its controversial "super-voting" shares.

After a meeting yesterday between the Australian attorney-general, Mr Michael Lavarch, and Mr Laurie Cox, head of the Australian Stock Exchange, the ASX said that if it decided to alter listing rules to accommodate News Corp's request, it would first issue a formal "exposure draft", detailing the proposed changes.

There would then be an unspecified period during which comments would be sought. The attorney-general would then have 28 days to allow or disallow the decision.

This process means that no rule change could come into effect until well into 1994. The ASX is shifting through about 60 responses to its earlier discussion document, dealing with principles underlying differential voting rights. The earliest date on which it might consider the results of this process is December 21 - but it now seems likely that even that determination will be pushed back to late January.

In any event, the subsequent comment period on the exposure draft will ensure that no rule change becomes operative until well into the new year.

The attorney-general's office, meanwhile, said it planned to set up an "expert advisory" group, to look at the issues surrounding the introduction of

differential voting rights and the implications for public policy. Membership of the group will be announced shortly. The group would be expected to participate in the comment period following publication of an exposure draft.

Mr Murdoch in October first outlined his plans to issue "super voting" shares - ones with multiple voting rights - on a pro rata basis to existing shareholders. But the scheme has generated enormous controversy, with critics claiming it would serve to entrench the Murdoch family at News, at the expense of other shareholders. News, by contrast, has argued that the scheme is required so that it can pursue joint ventures without management becoming vulnerable.

Fike to retire as president of Ford of Europe

By John Griffiths

Ford of Europe's president, Mr William Fike, is to retire at the end of the year, when the post of president will effectively be abolished.

Mr Fike's responsibilities in the areas of manufacturing, sales and product development are to be redistributed among Mr Jacques Nasser, who took over as Ford of Europe's chairman at the start of the year, and members of the business management committee, which reports to Mr Nasser.

The committee includes vice-presidents such as manufacturing director Mr Albert Caspers, who is also chairman of the German company, Ford-Werke.

The ins and outs of buy-ins and buy-outs.

On Wednesday, December 8 the Financial Times will publish a survey on management buy-outs.

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Burgundy Bonded Leather	BLB	£15.00	£15.25	£16.00		
Black Leathercloth	BLC	£15.00	£15.25	£16.00		
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COMMODITIES AND BOND PRICES

WEEK IN THE MARKETS

Iraq fears
send oil to
5-year lows

THE OIL market ended a nervous week with a tentative recovery from fresh five-year lows reached early yesterday. As with other recent setbacks, the morning selling that pushed the February futures price to \$13.85 a barrel at one point was linked to concern about the prospect of Iraq returning to the market sooner rather than later. In late trading, however, the price had moved up to \$14.07 a barrel, down 9 cents on the day and 65 cents on the week.

Last week's downward reaction to the failure of the Organisation of Petroleum Exporting Countries' ministerial meeting to agree on production cuts continued on Monday, pushing the February futures price down another 35 cents to \$14.40 a barrel.

Tuesday saw prices staging a modest recovery for most of the day, but that was reversed in late trading after Iraq announced that it might negotiate with the United Nations about a one-off sale of \$1.6bn worth of oil to finance humanitarian aid and compensation to victims of the 1990 invasion of Kuwait. It had earlier rejected this idea, seeking instead a permanent easing of UN export sanctions.

Prices steadied on Wednesday but moved sharply lower again on Thursday as the fears about Iraqi sales adding to the present oversupply returned to the fore.

At the London Metal Exchange copper and general base metals prices were broken through technical resistance on Thursday as the three months copper price climbed to \$1,688.50 a tonne before backtracking to \$1,679.75 at yesterday's close, up \$24.25 on the week.

Aluminium prices took a prominent part in the rally until they succumbed yesterday to disappointed selling following the overnight

announcement that no specific production cuts had been agreed at inter-government talks in Washington.

At the two-day meeting US, Russian, Australian, Canadian, Norwegian and European Union officials had discussed ways of easing the severe oversupply that has been driving aluminium prices lower since the collapse of the Soviet Union released a flood of metal from the former Eastern bloc (chiefly Russia). There had never been much hope of substantial progress being made at this stage, but news that the delegates had succeeded only in identifying objectives and had deferred consideration of

practicalities to follow-up talks scheduled for January 18-19 nevertheless prompted a sharp market sell-off.

By yesterday's close the LME three months delivery price, which climbed as high as \$1,088 a tonne on Thursday, was quoted at \$1,075.75 a tonne, down \$9 on the day but still \$17.25 up on the week.

Lead was once again the strongest LME market, with prices maintaining the strong upward trend that began late last week. The three months price closed yesterday at \$445.50 a tonne, up \$18 on balance but \$2.50 below the seven-month high reached on Thursday. Dealers attributed the market's strength to increased demand from car battery makers and tightness of supplies of lead concentrate (an intermediate material).

The London Commodity Exchange cocoa market struggled to build on recent gains as fresh harvest news was awaited from west African growing regions. The March futures position edged up to a 5 1/2-year high of \$1,061 a tonne yesterday afternoon and ended \$3 up on the week at \$1,061 a tonne.

Richard Mooney

WEEKLY PRICE CHANGES

	Latest price	Change on week	Year ago	1989	Low
Gold per troy oz.	\$376.00	+1.00	\$334.45	\$405.75	\$326.00
Silver per troy oz.	\$21.00	+0.00	\$20.00	\$23.00	\$18.00
Aluminium 99.7% (cmt)	\$1,061.50	+17.50	\$1,118.50	\$1,240.00	\$1,023.50
Copper grade A (cmt)	\$1,688.50	+24.25	\$1,604.00	\$1,575.00	\$1,108.50
Lead (cmt)	\$445.50	+18.00	\$427.50	\$480.00	\$391.50
Nickel (cmt)	\$7,725.00	+40.00	\$8,500.00	\$8,500.00	\$4,000.00
Zinc SHG (cmt)	\$937.50	+13.00	\$1,072.50	\$1,112.00	\$668.00
Tin (cmt)	\$17,150.00	+22.50	\$17,500.00	\$17,500.00	\$14,400.00
Cocoa Futures Mar	\$1,061.50	+3.00	\$1,061.50	\$1,061.50	\$1,061.50
Coffee Futures Mar	\$1,061.50	+3.00	\$1,061.50	\$1,061.50	\$1,061.50
Sugar (LDP Raw)	\$271.60	+8.20	\$220.60	\$317.40	\$204.50
Barley Futures Mar	\$1,061.50	+3.00	\$1,061.50	\$1,061.50	\$1,061.50
Wheat Futures Mar	\$1,061.50	+3.00	\$1,061.50	\$1,061.50	\$1,061.50
Cotton Outlook A Index	\$70.00	+0.80	\$41.00	\$63.50	\$41.50
Wool (545 Super)	\$33.50	-0.50	\$40.00	\$43.00	\$31.00
Oil Brent Blend	\$13.87	-0.59	\$14.25	\$15.45	\$11.40

For more prices visit our website at www.ft.com or call 020 7556 5000

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

ALUMINIUM, 99.7% Purity (\$ per tonne)

	Close	Previous	High	Low
Mar	1061.50	1058.50	1075.50	1045.50
Apr	1061.50	1058.50	1075.50	1045.50
May	1061.50	1058.50	1075.50	1045.50

COPPER, grade A (\$ per tonne)

	Close	Previous	High	Low
Mar	1688.50	1685.50	1705.50	1670.50
Apr	1688.50	1685.50	1705.50	1670.50
May	1688.50	1685.50	1705.50	1670.50

LEAD (\$ per tonne)

	Close	Previous	High	Low
Mar	445.50	442.50	455.50	435.50
Apr	445.50	442.50	455.50	435.50
May	445.50	442.50	455.50	435.50

ZINC, special high grade (\$ per tonne)

	Close	Previous	High	Low
Mar	937.50	934.50	954.50	917.50
Apr	937.50	934.50	954.50	917.50
May	937.50	934.50	954.50	917.50

TIN (\$ per tonne)

	Close	Previous	High	Low
Mar	1715.00	1712.00	1735.00	1695.00
Apr	1715.00	1712.00	1735.00	1695.00
May	1715.00	1712.00	1735.00	1695.00

COPPER, grade A (\$ per tonne)

	Close	Previous	High	Low
Mar	1688.50	1685.50	1705.50	1670.50
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COPPER, grade A (\$ per tonne)

	Close	Previous	High	Low
Mar	1688.50	1685.50	1705.50	1670.50
Apr	1688.50	1685.50	1705.50	1670.50
May	1688.50	1685.50	1705.50	1670.50

COPPER, grade A (\$ per tonne)

	Close	Previous	High	Low
Mar	1688.50	1685.50	1705.50	1670.50
Apr	1688.50	1685.50	1705.50	1670.50
May	1688.50	1685.50	1705.50	1670.50

COPPER, grade A (\$ per tonne)

	Close	Previous	High	Low
Mar	1688.50	1685.50	1705.50	1670.50
Apr	1688.50	1685.50	1705.50	1670.50
May	1688.50	1685.50	1705.50	1670.50

COPPER, grade A (\$ per tonne)

	Close	Previous	High	Low
Mar	1688.50	1685.50	1705.50	1670.50
Apr	1688.50	1685.50	1705.50	1670.50
May	1688.50	1685.50	1705.50	1670.50

COPPER, grade A (\$ per tonne)

	Close	Previous	High	Low
Mar	1688.50	1685.50	1705.50	1670.50
Apr	1688.50	1685.50	1705.50	1670.50
May	1688.50	1685.50	1705.50	1670.50

COPPER, grade A (\$ per tonne)

	Close	Previous	High	Low
Mar	1688.50	1685.50	1705.50	1670.50
Apr	1688.50	1685.50	1705.50	1670.50
May	1688.50	1685.50	1705.50	1670.50

Precious Metals continued

GOLD COMEX (100 Troy oz; \$/troy oz)

	Sell price	Day's change	High	low	Open net
Dec	376.8	+3.0	377.0	376.0	2,377
Jan	377.8	+3.0	-	-	14
Feb	377.8	+2.2	378.8	377.7	74,548

CURRENCIES AND MONEY

MARKETS REPORT

Rates eased

The French and Spanish authorities took their cue from the Bundesbank yesterday to cut their interest rates by a quarter of a point, writes Rachel Johnson.

The French cut their intervention rate by 25 basis points to 6.2 per cent, while the Spanish central bank lowered its benchmark interest rate by the same amount to 9 per cent at December 16.

The unexpected aspect of the French move was timing. The Bank of France announced the rate for its repurchase tender yesterday, days before it takes place on Monday.

In London, the French franc rose to close at FF13.437 against the D-Mark, after a previous FF13.446. Currencies which have had their interest rates cut over the past couple of days rose against the D-Mark.

This follows the pattern in European currencies since the summer crisis in the exchange rate mechanism. Investors have been favouring currencies with better growth prospects rather than those with the highest interest rates.

The Spanish peseta was the latest to flout conventional wisdom by rallying against the D-Mark after the K point cut in its money rate.

The peseta set a Pta82.74 low after the rate cut news hit

closed higher in London at Pta82.28 compared with the previous close of Pta82.37.

The dollar rose against the D-Mark on the back of encouraging US payroll data but its rise was not sustained for long.

Figures from the US Labour Department showed a rise of 206,000 in non-farm payrolls in November, with the unemployment rate at 6.4 per cent, better than analysts' expectations of 170,000 and 6.7 per cent respectively.

On the UK money market, the dollar and the D-Mark, gaining

Dollar

DM per \$ 1.74

Yen per \$ 110

\$ per £ 1.50

DM per £ 2.58

French franc

DM per FF 3.43

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Sterling

\$ per £ 1.50

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French franc

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● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

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● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

S&P 400 Stock Market List (12/20/91)									
Symbol	Company Name	Price	Change	Volume	Market Cap	P/E Ratio	Dividend Yield	YTD %	52-Week Range
AA	Amgen Inc.	112.00	+1.00	1,200,000	\$12.5B	18.5	0.8%	+12.5%	85.00 - 115.00
ABB	ABB Ltd.	45.00	+0.50	500,000	\$2.1B	15.2	1.2%	+8.0%	40.00 - 50.00
ABC	ABC Corp.	25.00	-0.20	800,000	\$1.8B	12.1	0.5%	+5.0%	22.00 - 28.00
ABT	Abbott Laboratories	55.00	+0.75	1,500,000	\$15.0B	22.0	0.9%	+10.0%	48.00 - 60.00
AC	Amcor Inc.	30.00	+0.30	600,000	\$3.5B	14.5	0.7%	+6.0%	27.00 - 33.00
ACC	Accurate Corp.	18.00	-0.10	400,000	\$1.2B	11.0	0.4%	+3.0%	16.00 - 20.00
ACE	Ace Hardware Co.	40.00	+0.50	900,000	\$4.0B	16.8	1.0%	+9.0%	35.00 - 45.00
ACF	Acme Foods Inc.	22.00	+0.20	700,000	\$2.8B	13.5	0.6%	+4.0%	20.00 - 24.00
ACH	Advanced Chemicals	35.00	+0.40	1,100,000	\$3.8B	17.2	0.8%	+7.0%	31.00 - 39.00
ACI	Acme Industries	28.00	-0.15	550,000	\$2.5B	12.8	0.5%	+3.5%	25.00 - 31.00
ACM	Acme Corp.	15.00	+0.10	300,000	\$1.0B	10.5	0.3%	+2.0%	13.00 - 17.00
ACN	Acme Networks	42.00	+0.60	1,300,000	\$14.0B	21.0	0.9%	+11.0%	36.00 - 48.00
ACO	Acme Oil Co.	38.00	+0.50	1,000,000	\$13.0B	19.5	0.8%	+9.5%	33.00 - 43.00
ACP	Acme Pharmaceuticals	50.00	+0.75	1,400,000	\$16.0B	23.0	0.9%	+10.5%	44.00 - 56.00
ACQ	Acme Corp.	20.00	-0.10	450,000	\$1.5B	11.5	0.4%	+2.5%	18.00 - 22.00
ACR	Acme Resources	32.00	+0.40	950,000	\$3.6B	16.5	0.7%	+6.5%	28.00 - 36.00
ACS	Acme Systems	26.00	+0.20	750,000	\$2.9B	13.0	0.6%	+4.5%	23.00 - 29.00
ACT	Acme Tech	48.00	+0.60	1,250,000	\$13.5B	20.0	0.8%	+10.0%	41.00 - 53.00
ACU	Acme Utilities	30.00	+0.30	850,000	\$3.4B	15.0	0.7%	+5.5%	27.00 - 33.00
ACV	Acme Vehicles	24.00	-0.10	650,000	\$2.7B	12.5	0.5%	+3.0%	21.00 - 27.00
ACW	Acme Corp.	19.00	+0.15	400,000	\$1.4B	11.0	0.4%	+2.0%	17.00 - 21.00
ACX	Acme Corp.	33.00	+0.45	900,000	\$3.7B	16.0	0.7%	+6.0%	29.00 - 37.00
ACY	Acme Corp.	27.00	+0.25	700,000	\$2.8B	13.2	0.6%	+4.0%	24.00 - 30.00
ACZ	Acme Corp.	17.00	-0.05	350,000	\$1.1B	10.0	0.3%	+1.5%	15.00 - 19.00
ADA	Adams Corp.	41.00	+0.55	1,150,000	\$13.8B	19.8	0.8%	+9.8%	35.00 - 47.00
ADB	Adams Bank	36.00	+0.40	1,050,000	\$12.8B	18.8	0.7%	+8.8%	31.00 - 41.00
ADC	Adams Corp.	29.00	+0.20	750,000	\$2.9B	12.8	0.6%	+3.8%	26.00 - 32.00
ADD	Adams Corp.	21.00	-0.10	550,000	\$2.1B	11.8	0.5%	+2.8%	19.00 - 23.00
ADE	Adams Corp.	39.00	+0.50	1,000,000	\$13.2B	19.2	0.8%	+9.2%	33.00 - 43.00
ADF	Adams Corp.	34.00	+0.40	950,000	\$12.2B	18.2	0.7%	+8.2%	29.00 - 39.00
ADG	Adams Corp.	26.00	+0.20	700,000	\$2.6B	12.5	0.6%	+3.5%	23.00 - 29.00
ADH	Adams Corp.	23.00	-0.10	600,000	\$2.3B	12.0	0.5%	+3.0%	20.00 - 26.00
ADI	Adams Corp.	43.00	+0.60	1,200,000	\$14.2B	20.2	0.8%	+10.2%	37.00 - 49.00
ADJ	Adams Corp.	37.00	+0.45	1,100,000	\$13.2B	19.2	0.7%	+9.2%	32.00 - 44.00
ADK	Adams Corp.	31.00	+0.30	850,000	\$11.8B	17.8	0.6%	+7.8%	27.00 - 37.00
ADL	Adams Corp.	25.00	+0.20	700,000	\$2.5B	12.2	0.6%	+3.2%	22.00 - 28.00
ADM	Adams Corp.	18.00	-0.05	350,000	\$1.0B	10.2	0.3%	+1.2%	16.00 - 19.00
ADN	Adams Corp.	40.00	+0.55						

OTHER UK UNIT TRUSTS

S&P 400 Stock Market List (12/20/91)									
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● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

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Lot Size	Unit Price	Unit Price	Order Price	+ or - %	Yield %
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CANADA (STB RECOGNISED)

Int Change	Cash Price	Mid Price	Offer Price	+ or - T	Tr Bl
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Gold	3%	128.67	128.15	128.99	+0.10	128.67
Lecture Fund	3%	97.05	79.88	80.78	+0.88	96.30
Technology Prof	8%	120.54	30.54	32.47	+0.29	10.81

Standard Fd Mgrs (U) Ltd

Reserve	US\$	0	0	0	0	0	0
Reserve	Euro Mgd	4	0	0	0	0	0
Reserve	£ Managed	4	0	0	0	0	0
Reserve	£ Managed	4	0	0	0	0	0

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MEMORANDUM

TO : Mr. Tolson

FROM : Mr. Clegg

SUBJECT: [Illegible]

[The remainder of the document contains extremely faint and illegible text.]

Anyone who has a question about the prices is available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100
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Fund	Price	% Chg	Div
First Fund			
21	30.33	---	
International Fund	25.24	---	
22	25.24	---	
The Income Fund Inc	816.77	---	
23	816.77	---	
Investment Fund Ltd	876.301	---	
24	876.301	---	
25	876.301	---	
26	876.301	---	
27	876.301	---	
28	876.301	---	
29	876.301	---	
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100	876.301	---	

ATSP Management Ltd
 20, Victoria Lane, Tynes, Gateshead, Tyne and Wear, NE6 3JF

[illegible]

Inv.	Case	Std.	Other	4th Yr
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Lyonsport Capital	Exp	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0</
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[illegible][illegible]

Debra Kury	893.7775	1	1	1
Gregory HAMP	338.524	1	1	1
Anthony Pineda Ltd				

[illegible]

Nov 30	\$1285.81			
Four Global Investment				

[illegible][illegible]

Ian Rodger looks at a third year of strong growth

ing, although Mr. Tschanz and others caution that there is not the same upside potential as there has been.

They also warn that it will become more difficult to pick winners. "It will be much more important to pick the right stocks in 1994. This year, you just had to pick the right sectors," Mr. Tschanz says.

For the moment, the top banks, insurance companies,

These two are also the subject of merger speculation, a both Credit Suisse, which controls Electrowatt, and Union Bank of Switzerland, which controls the other.

Who wants to stand these perpetual activities. Retailers got a boost this week from the report that real consumption of private households rose an annualised 0.7 per cent in the third quarter.

But cyclical stocks are lying low, as recent reports from engineering group ABB Asea Brown Boveri and cement producer Holcim have put them in a downward spiral in sight of the election.

Sceptics about the Swiss market could point to that surfeit of excess, wild rumours appearing in recent days. According to one story floating around this week, Credit Suisse had been hit by a cholera outbreak.

		Flms	On Friday	Flms	Flms	On the Week	Flms
British Funds	51	16	11	263	82	6	
Other Fed Interest	51	10	4	27	13		
Commercial, Industrial	288	258	875	2,024	1,011	4,111	
Financial	49	51	67	350	164	32	
Property	84	12	19	183	53	44	
Investment Trusts	118	55	358	1,023	212	1,418	
Oil & Gas	10	26	40	84	112	20	
Chemicals	48	21	71	158	165	37	
Others	42	37	73	239	154	30	
Totals	634	498	1,599	4,390	1,956	7,228	

Data based on shows completed during the London Share Season.

LONDON RECENT ISSUES: EQUITIES

Issue	Ant price	Mkt. price	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100	2101	2102	2103	2104	2105	2106	2107	2108	2109	2110	2111	2112	2113	2114	2115	2116	2117	2118	2119	2120	2121	2122	2123	2124	2125	2126	2127	2128	2129	2130	2131	2132	2133	2134	2135	2136	2137	2138	2139	2140	2141	2142	2143	2144	2145	2146	2147	2148	2149	2150	2151	2152	2153	2154	2155	2156	2157	2158	2159	2160	2161	2162	2163	2164	2165	2166	2167	2168	2169	2170	2171	2172	2173	2174	2175	2176	2177	2178	2179	2180	2181	2182	2183	2184	2185	2186	2187	2188	2189	2190	2191	2192	2193	2194	2195	2196	2197	2198	2199	2200	2201	2202	2203	2204	2205	2206	2207	2208	2209	2210	2211	2212	2213	2214	2215	2216	2217	2218	2219	2220	2221	2222	2223	2224	2225	2226	2227	2228	2229	2230	2231	2232	2233	2234	2235	2236	2237	2238	2239	2240	2241	2242	2243	2244	2245	2246	2247	2248	2249	2250	2251	2252	2253	2254	2255	2256	2257	2258	2259	2260	2261	2262	2263	2264	2265	2266	2267	2268	2269	2270	2271	2272	2273	2274	2275	2276	2277	2278	2279	2280	2281	2282	2283	2284	2285	2286	2287	2288	2289	2290	2291	2292	2293	2294	2295	2296	2297	2298	2299	2300	2301	2302	2303	2304	2305	2306	2307	2308	2309	2310	2311	2312	2313	2314	
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[illegible]

FINANCIAL TIMES WEEKEND DECEMBER 4/DECEMBER 5 1993

INVESTMENT TRUSTS - Cont.[illegible]

Warrant	65	80	104
Granbury House	19	19	16
Grayford	230	230	230
Granovener Dam	133	133	140
Group Dev	364	364	364
HTB (Harris County)	40	+2	40
Warrant	40	40	40
Henderson Embroid	109	+1	111
Utah	144	144	144
Group P1	80	+2	80
Henderson Highland	121	121	129
Warrant	121	121	121
Henderson Highways	260	+1	261
Harris 67 S&W Co	123	123	129
Harris 67 S&W Co	54	-4	50
Warrant	50	44	44
Zero Day PP	354	354	354
ME			
0.8			
ACS Optimum	80	+1	80
Zero Day PP	207	207	207
1.6 U.S. Smith Co	950	950	950
Warrant	950	950	950
Warrant	140	140	140
Inventory & Sales Est Cap	61	-1	60

1	De La Soul	#102	1	2180
2	Nerve & Stone Bros	185		
3	Blackstreet	185		
4	Johnson Jr's Dile	178		
5	Blackstreet	178		
6	Blackstreet	178		
7	Al McKay Digital	91		91
8	Blackstreet	91		91
9	Blackstreet	91		91
10	Blackstreet	91		91
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91	Blackstreet	91		91
92	Blackstreet	91		91
93	Blackstreet	91		91

1	Michigan State	100	21	North Carolina	57
2	Washington State	95	22	Georgia Tech	56
3	Stanford	92	23	Arizona	55
4	Arizona	90	24	Washington	54
5	Washington State	89	25	California	53
6	Stanford	88	26	Arizona	52
7	Stanford	87	27	Washington	51
8	Stanford	86	28	Washington	50
9	Stanford	85	29	Washington	49
10	Stanford	84	30	Washington	48
11	Stanford	83	31	Washington	47
12	Stanford	82	32	Washington	46
13	Stanford	81	33	Washington	45
14	Stanford	80	34	Washington	44
15	Stanford	79	35	Washington	43
16	Stanford	78	36	Washington	42
17	Stanford	77	37	Washington	41
18	Stanford	76	38	Washington	40
19	Stanford	75	39	Washington	39
20	Stanford	74	40	Washington	38
21	Stanford	73	41	Washington	37
22	Stanford	72	42	Washington	36
23	Stanford	71	43	Washington	35
24	Stanford	70	44	Washington	34
25	Stanford	69	45	Washington	33
26	Stanford	68	46	Washington	32
27	Stanford	67	47	Washington	31
28	Stanford	66	48	Washington	30
29	Stanford	65	49	Washington	29
30	Stanford	64	50	Washington	28
31	Stanford	63	51	Washington	27
32	Stanford	62	52	Washington	26
33	Stanford	61	53	Washington	25
34	Stanford	60	54	Washington	24
35	Stanford	59	55	Washington	23
36	Stanford	58	56	Washington	22
37	Stanford	57	57	Washington	21
38	Stanford	56	58	Washington	20
39	Stanford	55	59	Washington	19
40	Stanford	54	60	Washington	18
41	Stanford	53	61	Washington	17
42	Stanford	52	62	Washington	16
43	Stanford	51	63	Washington	15
44	Stanford	50	64	Washington	14
45	Stanford	49	65	Washington	13
46	Stanford	48	66	Washington	12
47	Stanford	47	67	Washington	11
48	Stanford	46	68	Washington	10
49	Stanford	45	69	Washington	9
50	Stanford	44	70	Washington	8
51	Stanford	43	71	Washington	7
52	Stanford	42	72	Washington	6
53	Stanford	41	73	Washington	5
54	Stanford	40	74	Washington	4
55	Stanford	39	75	Washington	3
56	Stanford	38	76	Washington	2
57	Stanford	37	77	Washington	1
58	Stanford	36	78	Washington	0
59	Stanford	35	79	Washington	0
60	Stanford	34	80	Washington	0
61	Stanford	33	81	Washington	0
62	Stanford	32	82	Washington	0
63	Stanford	31	83	Washington	0
64	Stanford	30	84	Washington	0
65	Stanford	29	85	Washington	0
66	Stanford	28	86	Washington	0
67	Stanford	27	87	Washington	0
68	Stanford	26	88	Washington	0
69	Stanford	25	89	Washington	0
70	Stanford	24	90	Washington	0
71	Stanford	23	91	Washington	0
72	Stanford	22	92	Washington	0
73	Stanford	21	93	Washington	0
74	Stanford	20	94	Washington	0
75	Stanford	19	95	Washington	0
76	Stanford	18	96	Washington	0
77	Stanford	17	97	Washington	0
78	Stanford	16	98	Washington	0
79	Stanford	15	99	Washington	0
80	Stanford	14	100	Washington	0
81	Stanford	13	101	Washington	0
82	Stanford	12	102	Washington	0
83	Stanford	11	103	Washington	0
84	Stanford	10	104	Washington	0
85	Stanford	9	105	Washington	0
86	Stanford	8	106	Washington	0
87	Stanford	7	107	Washington	0
88	Stanford	6	108	Washington	0
89	Stanford	5	109	Washington	0
90	Stanford	4	110	Washington	0
91	Stanford	3	111	Washington	0
92	Stanford	2	112	Washington	0
93	Stanford	1	113	Washington	0
94	Stanford	0	114	Washington	0
95	Stanford	0	115	Washington	0
96	Stanford	0	116	Washington	0
97	Stanford	0	117	Washington	0
98	Stanford	0	118	Washington	0
99	Stanford	0	119	Washington	0
100	Stanford	0	120	Washington	0

[illegible]

هكذا من الامم

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

Notes	Price	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	99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SFO handed privileged documents to prosecution

Attorney general admits blunder in Nadir case

By Kevin Brown

The credibility of Britain's Serious Fraud Office was further damaged yesterday when the government admitted that privileged documents were wrongly handed to lawyers prosecuting Mr Asil Nadir, the fugitive head of Polly Peck International, the collapsed trading company.

The admission, in a written House of Commons answer from Sir Nicholas Lyell, attorney general, bears out one of the allegations about the SFO made by Mr Michael Mates, the former Northern Ireland minister, who resigned in June over his relationship with Mr Nadir.

Mr Mates claimed yesterday that the SFO had concealed further details from the attorney general: "He was not told the whole truth by the SFO. He still has not been told all of the truth. There is more to come out."

Sir Nicholas said the error was "regrettable" but that there was no evidence to substantiate any other allegations against the

SFO, and ruled out an independent inquiry.

Mr George Staple, director of the SFO, said he had begun an internal inquiry into the circulation of the documents.

"The right course remains for Mr Nadir to return to this country to face trial, and, should he wish to make any complaints about the prosecution's handling of his case, to raise them with the trial judge," he said.

Mr Nadir, who fled to northern Cyprus in May, said he would not return to face 13 charges of theft involving £34m unless an independent inquiry was established. He said other documents had also been handed to the prosecution, and accused the SFO, Scotland Yard, the attorney general and the Crown Prosecution Service of conspiring to secure a wrongful conviction.

"As long as these people are in power it would be naive for me to come to Britain," he said.

The admission of SFO bungling over the documents is a severe embarrassment to Sir Nicholas,

who was forced to concede he had misled the Commons, which is regarded as a serious offence, in a statement in June.

The opposition appeared unlikely to try to make the admission a resignation issue. Mr Alistair Darling, Labour's City affairs spokesman, backed Sir Nicholas' call for Mr Nadir to return to face trial: "Unless and until Mr Nadir comes back to face these charges I don't see how these issues can be disposed of."

Mr Mates, who is believed to want to return to the government once the Nadir affair is concluded, is also thought unlikely to pursue the issue.

However, he will continue to press for a public inquiry. He alleged in his resignation speech that the SFO sought to put "improper pressure" on the trial judge, that it tried to engineer a "trial by media" through leaks to the press, and that there was "illegal collusion" between the SFO and the inland Revenue.

Admission hurts SFO, Page 7

Volvo hopes to maintain Renault link despite halt on merger

By Hugh Carnegie in Stockholm and John Piddling in Paris

Volvo will seek to maintain its three-year-old alliance with Renault despite its decision to abandon plans to merge with the state-owned French vehicle manufacturer.

Mr Sören Gyll, chief executive of the Swedish group who led a management revolt that halted the merger proposal on Thursday, sought yesterday to limit the damage to relations with Renault.

"I can only say sorry and apologise and hope that France understands," he said. "We must ensure that the common projects [between Volvo and Renault] continue to be developed."

The French government said it continued to believe the merger remained desirable. "However, the opinions held by Volvo executives need to be clarified," it said in a statement.

But Volvo said there was no immediate prospect of renegotiating a full merger and Mr Louis Schweitzer, Renault chairman, emphasised the difficulty of future co-operation. The companies were likely to discuss their joint prospects very soon, Volvo said.

Mr Schweitzer said the existing alliance, including cross-shareholdings and joint purchasing and product development, remained in effect. But he added the merger's failure would damage the momentum of co-operation and require existing collaboration to be appraised on a case by case basis.

He expressed pessimism over the flagship P4 project to build a new range of executive cars.

Mr Gyll sought to bolster morale within Volvo after the board decision, which prompted the resignation of Mr Pehr Gyllenhammar, the chairman who had led Volvo for 22 years, and four other directors.

Officials said a meeting of shareholders, whose hostility to the merger sparked the crisis, would be called early in the new year to elect a new chairman and board. Mr Gyll is expected to be confirmed as chief executive.

In meetings with managers and employees at Volvo's headquarters in Gothenburg, Mr Gyll emphasised the group's financial strength and his determination to bind the internal wounds opened by the merger proposal.

Volvo officials said a wide-ranging strategy review would include consideration of how to raise up to SKr5bn in extra capital. The options are a share issue and sales of non-core assets.

Mr Schweitzer said the merger's failure did not threaten Renault's future or compromise plans to privatise the car group. Other investors could be found to act as a counterweight to Volvo's 20 per cent stake in Renault.

Curse of Gyllenhammar, Page 9
Swedish forests sell-off, Page 11

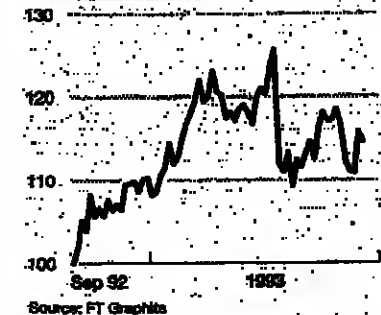
THE LEX COLUMN

Life closes in

FT-SE Index: 3234.2 (+10.3)

Life Insurance

Relative to the All-Share FT-100 Actuaries Index



Source: FT Graphika

The regulatory grip on the life insurance industry is tightening, and not before time. The Securities and Investments Board investigation into mis-selling of personal pensions should not, by itself, cause shareholders much worry. Even if SIB finds widespread malpractice, the life funds of the companies concerned should bear the bulk of the costs. But the investigation comes at an awkward moment. Full disclosure of commissions and expenses demanded by government threatens to drive investors towards other forms of saving, while the review of taxes on savings promised by the chancellor before the Budget poses an unknown threat.

More immediately, the dull outlook for investment returns points to further reductions in bonus rates for policyholders. It might seem strange that bonuses should be cut again after such a strong performance from equities and bonds this year. But many life companies are still making amends for paying over-generous bonuses in the past. Windfall stock market gains in the 1980s are also dropping out of bonus calculations. With long-dated gilts now yielding less than 7 per cent, and UK equities only a shade over 3.5 per cent, the long-term prognosis for investment returns remains poor.

Since profits are linked directly to bonuses paid out of the life fund, shareholders will also feel the pain. Companies which keep expenses down and sales rising – despite the new disclosure regime – will prosper even when investment returns are low. The rest will find their ability to raise profits and dividends increasingly constrained. The gap between winners and losers in life insurance looks set to widen.

Brewing

The Budget has certainly brought some cheer to the brewing sector. Since Tuesday, Scottish & Newcastle is up by 10 per cent, Bass by 6, Whitbread by 5 and Allied-Lyons by 3. Though part of the reason is the pleasing second-half results from Bass, the main impetus came from the chancellor's decision not to raise the duty on beer. The Treasury seems finally to have realised that higher duty could simply see its revenue fall. The UK beer market is shrinking and, according to Bass, parallel imports from the Continent now account for 3 per cent of total domestic consumption.

In that environment, a taxation policy which reverses some of the discrimination in favour of wine and cider – duties on both were increased

– can only help. But while the trend is in the right direction, the movement, saving perhaps 1p a pint on beer and adding 2p to the price of a bottle of wine, is minuscule. Factor that into the poor market conditions which wrought the concession out of the Treasury in the first place, and one wonders why the stock market is so excited.

The brewers which managed to push through large real increases in the beer price a couple of years ago do not have a particularly strong leg to stand on. But Bass is probably right to claim that in present conditions an actual cut in duties may be required to rekindle growth in demand. That is also an admission of how limited the scope is for the brewers to raise their prices. It has become even more difficult since Tuesday, when they were deprived of even the chance to slip a little into their own pockets when passing on the chancellor's duty demand.

Asda

Asda's decision to sweep its troubled Allied business under the carpet by handing it over to a rival operator is doubtless the right thing to do from the management's perspective. Allied was a peripheral loss-making business which had been consuming a disproportionate share of cash and management time. Since the late 1980s, Asda has poured more than £100m into Allied to little apparent effect. The company has incurred operating losses of £17.7m over the past two years and is unlikely to produce a glowing contribution to Asda's interim results, to be released later this month.

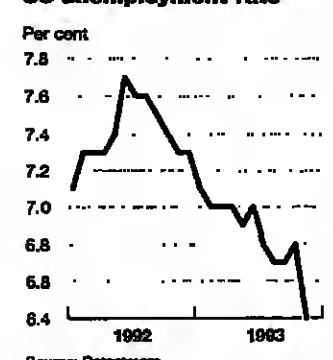
Nevertheless, the disposal will come as a severe blow to Asda's finances, requiring a £123.3m charge against its profit and loss account under the FR33 regime. The acquisition of a 40 per cent equity stake in the enlarged Carrefour may offer little by way of compensation if the new owners find Allied's problems equally intractable. Still, it is worth recalling that the risky venture capital Asda retained in MFT eventually produced considerable rewards.

Asda will certainly benefit from being able to devote more management time to its grocery chain. The challenge on that front is growing stiffer by the day. Asda was able to steal a march on competitors two years ago when it became the first superstore to emphasise consistently low prices. Its rivals are belatedly responding.

UK markets

Yesterday's 10-point gain in the FT-SE 100 index shows London is still determined to take a positive view of the Budget, despite disappointing subsequent news from big companies like Hanson and GEC. In part that must stem from the prospect of lower interest rates, which loomed a little closer after Continental cuts helped push sterling over DM2.56 yesterday. It helps, too, that the Budget was so positive for gilts. New gilt issues will be markedly lower in 1993-94. That should fuel demand just as base rate hopes buoy up the short end of the market and make funding even easier. At some point, though, the equity market will have to respond to the

US unemployment rate



Source: Datastream

Sharp fall in US jobless

Continued from Page 1

trends – rose 0.5 per cent in October after solid gains in the two preceding months. Factory orders rose 1.2 per cent in October to register their third consecutive monthly gain.

Many Wall Street analysts share the White House's confidence. The consensus is that the economy will grow at an annual rate of 4.5 per cent this quarter from 2.7 per cent in the third quarter. Growth is expected to moderate early next year but then regain momentum. Real gross domestic product is expected to rise by 3 per cent or slightly more over the year.

Views diverge on the Federal Reserve's likely response. If inflation figures remain subdued, many analysts expect the Fed to postpone an increase in short-term rates, now 3 per cent, until well into next year. Others believe the Fed will begin nudging rates higher on the grounds that inflation-adjusted rates are too low.

Industry urges EU to put competitive ability top of agenda

By David Gardner in Brussels

Competitiveness should be at the top of the European Union's political agenda, leading European industrialists urged yesterday.

The European Round Table, which groups 40 top industrialists, called for the creation of a US-style Competitiveness Council. The group was joined by Mr Jacques Delors, European Commission president, when it launched its report.

It calls for a European Charter for industry to serve as a counterweight to pan-European social policy.

The move comes a week before the Brussels summit of EU heads of government, which will centre on a white paper on competitiveness, growth and unemployment finalised by Mr Delors.

The industrialists' blueprint puts more emphasis on deregulation and cutting costs to industry from legislation and bureaucracy than recent drafts of the Commission white paper. But both urge big increases in investment, particularly in infrastructure and information networks, cutting employment costs and improving training.

The report endorses Mr Delors' call for more co-operation within industry on research and development.

Mr Floris Maljers, chairman of Unilever, the Anglo-Dutch consumer products group and head of the working group that pro-

duced the report, said the Competitiveness Council should have a mandate to report regularly to the EU on industrial issues.

He said non-wage costs, such as employers' social security contributions, amounted to 44 per cent of total employment costs in Europe, against 29 per cent in the US and 24 per cent in Japan. "Work is there, but not at these prices," the report says. "In effect, Europe has imposed a tax on jobs. It is time to find a better system."

The report adds that higher productivity will have to precede higher wages. Maljers warned against the environment and energy taxes being considered in the Commission white paper.

"Some of these costs will have to go from production to consumption," he argued.

Mr Maljers said the proposed council and the Charter for industry had two main aims: to record industry's views on the conditions for restoring competitiveness, and to look over EU and national legislation in the light of the need for competition.

The council would have a small, highly qualified membership made up of industry, government and scientists.

The action plan's suggestion that Ecu200bn (£152.40bn) a year of additional investment, worth 4 per cent of European output, is needed to get the 3.5 per cent growth needed to relieve unemployment, is close to Mr Delors' estimates.

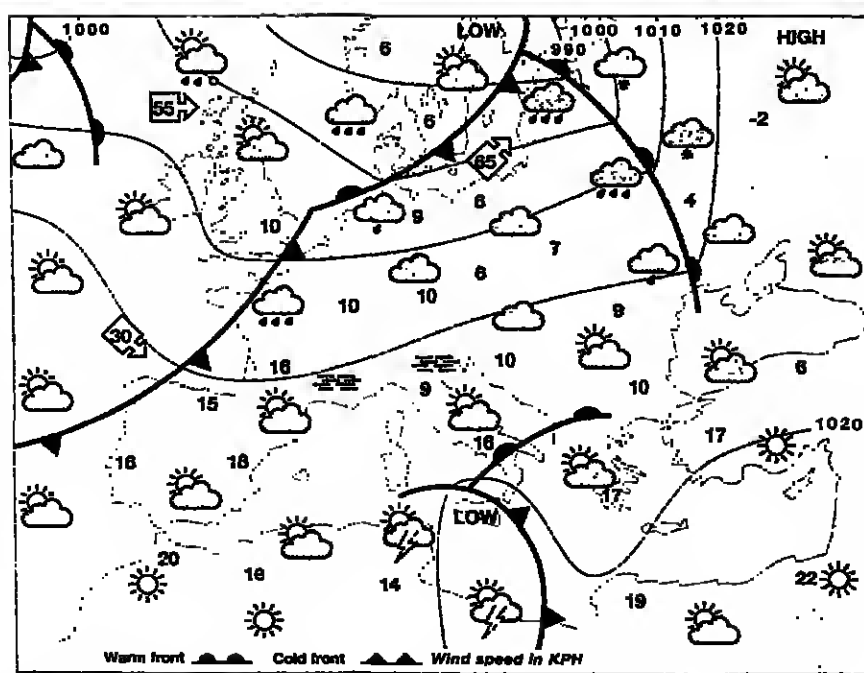
FT WORLD WEATHER

Europe today

Warmer air from the Atlantic will move further east to inland regions. The warm front preceding the mid air will bring snow, sleet and freezing rain over western Russia. There will be widespread snow over Finland and south-westerly gales over the southern Baltic. The extreme north of Scandinavia will continue to be very cold with brief outbreaks of snow. A cold front will cause rain in the north-west of Spain, northern France and the Low Countries. Clouds and drizzle will be general over Germany and Poland. The Mediterranean and surrounding regions will enjoy sunny conditions overall with only light winds. However, a disturbance over Tunisia will bring cloud and outbreaks of rain to southern Italy, Sicily and parts of Tunisia.

Five-day forecast

Conditions will remain unsettled over the north Atlantic. The North Sea countries and Scandinavia. There will be widespread rain over the British Isles and along the Norwegian coast. Temperatures will gradually fall on Wednesday as a maritime Arctic air mass moves south. It will be calm and sunny over the Mediterranean countries. Occasional showers are likely over southern Italy and Greece.



TODAY'S TEMPERATURES

	Maximum	Minimum
Abu Dhabi	31	25
Accra	31	25
Algiers	18	10
Amsterdam	10	8
Bahia	24	17
Bangkok	31	24
Batavia	27	21
Bombay	27	21
Buenos Aires	11	7
Calcutta	31	24
Cairo	24	17
Cardiff	10	8
Chennai	31	24
Cebu	27	21
Dubai	27	21
Dublin	10	8
Edinburgh	10	8
Hong Kong	27	21
London	10	8
Los Angeles	10	8
Manila	27	21
Medan	27	21
Moscow	10	8
Mumbai	27	21
Nairobi	27	21
Paris	10	8
Perth	10	8
Prague	10	8
Rangoon	27	21
Reykjavik	10	8
Rio	27	21
Riyadh	27	21
Sao Paulo	27	21
Seoul	27	21
Singapore	27	21
Stockholm	10	8
Strasbourg	10	8
Sydney	10	8
Taipei	27	21
Tokyo	10	8
Toronto	10	8
Tripoli	27	21
Ulaanbaatar	10	8
Warsaw	10	8
Wellington	10	8
Winnipeg	10	8
Zurich	10	8

Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

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Weekend FT

SECTION II

Weekend December 4/December 5 1993



You would have thought Kenneth Clarke had produced a giveaway Budget, to judge from the astonishingly euphoric reactions. In fact he has loaded his new taxes on top of those pre-programmed last March by Norman Lamont. By 1996-97 the two 1993 Budgets will have imposed another £15bn in taxes, and over the next four years total taxes will rise from 34 to 38 per cent of GDP.

So how on earth, in the first pre-Christmas Budget, did such a Scrooge manage to present himself almost in the guise of Santa Claus? Certainly the political presentation was as adroit as Norman Lamont's had been clumsy. In cleaning up the mess left by Lamont's gaffes over VAT on domestic energy Clarke seized an opportunity to appear as the pensioner's friend. He drew back generously from extending the VAT base further. Wretched public sector workers will bear much of the burden, and his tax increases were largely hidden and deferred. Indeed, you do not have to be very cynical to judge that many of the taxes have only been imposed in order to be flamboyantly

The Long View/Barry Riley

When Scrooge becomes Santa

removed again in the run-up to the next general election. So long, that is, as the economy performs more or less as expected.

Above all, this was a Budget for the financial markets. More than ever the markets are being driven by interest rates, which it now appears probable will come down further and stay down. Many institutional fund managers plot their investment strategy on the basis of computer valuation models which say that if long government bond yields fall the equity market must rise, almost in proportion. Because the decline in gilt yields this year has been sharp - more than two percentage points - the models say share prices are still cheap.

But the models may need to be tweaked. It is interesting to look back at the circumstances in which long-dated gilts last yielded the current 6½ per cent, in June 1987. That was a few months ahead of Harold Wilson's devaluation. In the early

stages of the long financial deterioration which culminated in gilt yields of 16 per cent in 1974 and inflation of 27 per cent in 1975.

In June 1987 German bonds yielded a little more than gilts, at 6.9 per cent. Now, in spite of an intimidating borrowing requirement, German bonds return under 6 per cent. At home, Bank Rate was 5½ per cent, exactly as now. But the valuation of equities looked rather different: the dividend yield on the All-Share Index was 5.3 per cent, compared with today's 3.5 per cent. It follows that investors today are considerably more optimistic about the prospects for growth in profits and dividends than they were in 1987. Do they have reason to be?

Before the Budget, the basic policy problem appeared to revolve around the threatened twin deficits - the public sector borrowing requirement and the adverse balance of payments. If you promoted economic growth the PSBR would

THE BUDGET AND YOU

Capital Gains Tax: Clarke's nasty surprise III

BES: why it has spawned twins before its demise III

Mortgages: why borrowers will have to pay more IV

Families: how the finances of three households will fare V

Pensions: younger women face a five-year shortfall VI

Employee loans: why the Revenue is ready to reform VII

Small businesses: Has Christmas come early this year? VII

decline but the trade gap would become much worse, and eventually destabilising. If you restrained domestic demand in order to control the external deficit the PSBR would expand exponentially, potentially becoming unmanageable.

Entirely undaunted, the Treasury has swept such contradictions aside. It hitlily assumes that the economy will grow remorselessly at a so-called "trend" rate of 3 per cent, regardless of the mounting tax burden. As for the trade crisis, this has simply disappeared. The latest trade statistics have miraculously improved (although the quality of the new post-Single Market European Union figures is highly suspect). Invisible earnings have conveniently become more visible. The current account deficit will only be 1½ per cent of GDP next year, instead of 3 per cent.

The obvious precedent is the 1981 Howe Budget which orthodox economists predicted would lead to

disaster but which paved the way for the growth of the mid-1980s. Higher taxes permitted reductions in interest rates (and a downwards float of sterling too). The Keynesians are a spent force these days but Wynne Godley, king of the doomsters, from his bolthole in America, has pronounced his curse on the Treasury's growth forecasts.

Essentially, Kenneth Clarke has completed the reversal of economic strategy following the failure of the UK's flirtation with the European exchange rate mechanism. While in the ERM we were forced to adopt Germany's tax fiscal policy offset by high interest rates. Fiscal policy is now being brutally rebalanced, but interest rates may need to go down to 4 per cent next year to offset the negative impact on the growth of the economy.

If the drop in the cost of capital, which the markets have been celebrating this week, gives a boost to investment and output, all will be

well. But a re-run of the 1980s cannot provide the answer. That expansion depended far too much on the housing boom, not least on the stimulation from the release of housing equity that rose from £5bn in 1982 to £15bn in 1986 and a peak £22bn in 1988.

This mortgage-financed boom not only helped to create the late 1980s inflation but also tipped the economy off balance into excessive consumption. We must not go down this road again. In fact, by progressively reducing tax relief on mortgage interest the government is removing some of the financial fuel for a renewed housing market bubble (although it may need to go further). The question is, however, if we must not depend upon a housing boom to stimulate the British economy, what can we rely on? It is hard not to conclude that the equity market will soon be disappointed by the sluggishness of profits growth.

Santa-Scrooge this week took the British economy back through time towards financial stability. With luck, he has laid to rest the inflationary ghost of Christmas past. But for all the stock market's enthusiasm, it is less than clear that he will be able to summon up the expansive spirit of Christmas yet to come.

Why the whites handed over their power

South Africa has delivered itself of a political miracle: sometime in the dark hours of November 18, almost imperceptibly, white hands let go their 350-year grip on the baton of power. The combined forces of history, economics, demography and morality had decreed the end of white rule, and South Africa's leaders had the grace - or the good sense - to recognise the inevitable.

The story of their conversion - which began in the late 1970s and reached a climax the night before the new constitution was signed - is strange and wonderful. History provides few enough examples of the triumph of pragmatism over ethnicity, or religion, and South Africa's National Party was scarcely famous for good sense in the decades of apartheid.

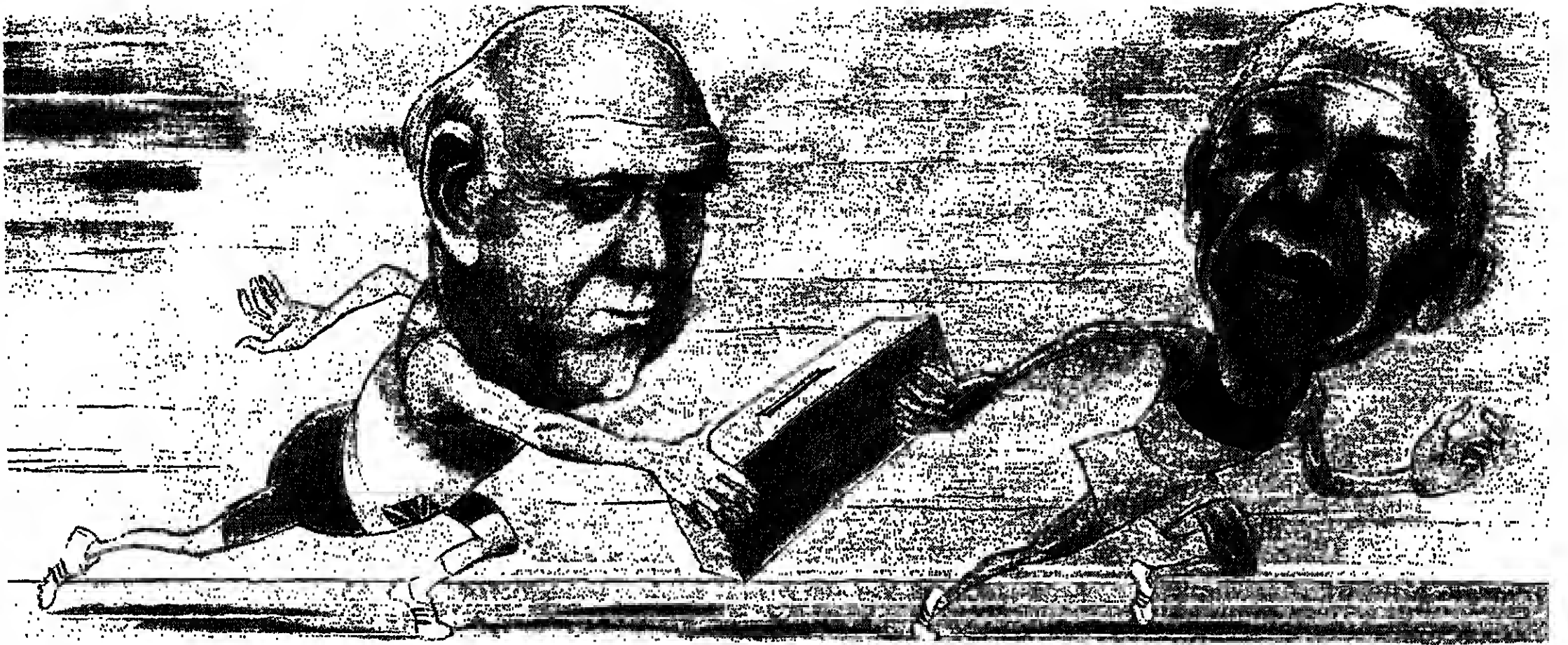
But in the pre-dawn hours of November 18, white hands seized black ones, offering the cult handshake of the African National Congress to seal a pragmatic new constitution; and the two men who struggled for months to complete the deal - Cyril Ramaphosa, ANC chief negotiator, and Fanie van der Merwe, his government counterpart - danced until the early hours, in an atmosphere heady with emotion and exhaustion.

In the days that followed, Meyer and his colleagues have continued to laud a constitutional deal which included many last-minute reverses for the National Party - a deal which, in essence, permits what the party had always said was impossible: the handover of state power to blacks. Pleased now to have any deal at all after a tough four-year struggle, they are convinced that the voluntary power-sharing promised by the constitution will give them real clout.

Some days after the momentous night on which the new South Africa was born, I watched as a Meyer - boyish, handsome and charming - ducked into the ANC's private lavatory to fix his hair before posing for a victory photo. Moments later, the equally colourful and charming Ramaphosa did the same: then the two set off together, laughing, for their appointment with the photographer.

I reflected on the extraordinary trust and goodwill built up over the last four years of momentous change - and which will no doubt come under serious strain once the two parties start cohabiting in government - and recalled my first experience of South Africa: the day in 1985 when Archbishop Desmond Tutu (while I stood near) intervened to stop a township crowd burning a man to death during a political funeral.

That year - had I but known it at the time - marked perhaps the first inevitable step to black rule. When in 1985 President P W Botha promised equal citizenship to all South Africans, including blacks, the death knell sounded for apartheid, which had decreed that blacks must live separately as citizens of distant homelands.



It was not the first step away from white hegemony: as early as the late 1970s, the Afrikaner establishment - through its secret society, the Broederbond (Brotherhood) - had begun to debate sharing power with mixed-race Coloureds and Indians, but not with blacks who formed the vast majority of the population. A participant in one of the early Broederbond meetings on power sharing remembered, with a rueful chuckle, that it took place in the holiday home of H F Verwoerd, the late prime minister and grand architect of apartheid. Reflecting on the

Development, and Fanie van der Merwe, eminence grise in the government negotiating team.

Mandela told me and a few colleagues over breakfast in 1992 that he did not tell his fellow ANC leaders he had met Barnard and van der Merwe. "They would have refused," he said. Members of the committee say their aim in talking to Mandela was to discover whether he was committed to peace, and whether he was a communist. By 1993, Pretoria had clearly concluded, in spite of his continuing refusal to end armed struggle, that Mandela

Reform came in a rush with de Klerk's election on September 6, 1989. Mass public protest was legalised, political prisoners were released, the ANC and South African Communist Party were unbanned (on February 2 1990) and finally, on February 11 1990, Nelson Mandela, the world's most famous political prisoner walked free.

Speaking days before Mandela was released, Con Botha, the senior Nationalist politician who is now administrator (governor) of Natal province, told the FT that he and his colleagues felt a great weight

February 1990. "We are determined not to repeat that mistake."

With Mandela's release, negotiations began in earnest - always on the basis, according to de Klerk, that whites "were not prepared to bow out apologetically from the stage of history."

His aim, argues Heribert Adam, the political scientist, was to pre-empt revolution: not to negotiate himself out of power, but into power under different circumstances which would have left whites with a veto over major issues, or at least substantial blocking power in cabinet.

Such a deal may well have been on offer early in the negotiations - although senior Nats argue that an early deal would have prevented the process of building trust with the ANC, the main business of the last three years.

That process has undoubtedly been successful: intense relationships developed over the months with government and ANC negotiators withdrawing regularly to bush hide-outs for cozy consultations. Their improved relations were shown on one fishing trip - which Ramaphosa claims was arranged without his knowledge - when the tough Ramaphosa removed a hook from Meyer's finger.

But by the eve of the deal, entrenched power sharing was no longer on offer. In the end the balance of advantage shifted decisively towards the ANC.

This shift began after the Convention for a Democratic South Africa, the multi-party negotiating forum, fell apart in May last year. At its May 16-16 plenary conference, the

De Klerk drew the parallel with Rhodesia: "When the opportunity was there for real constructive negotiation, it was not grasped," he said in

Last month South Africa's white rulers agreed a new constitution which will end white hegemony. Patti Waldmeir explains how it happened

irony of history, the participant remembers that Prof Gerit Viljoen, then chairman of the Broederbond and a prime mover of reform under President P W de Klerk, sat beneath a portrait of Verwoerd as he argued for an end to exclusive white power.

Then, in 1989, Pretoria opened secret negotiations with Nelson Mandela, serving his third year in prison. His first interlocutor was, ironically, Kobie Coetsee, the hard-line Minister of Justice who is known to oppose many provisions of the constitution agreed last month. Later, Botha set up a four-man committee to negotiate with Mandela, including two figures who remained prominent in the final negotiations: the sharp and ruthless Neil Barnard, former head of the National Intelligence Service and now head of the department of Constitutional

was essentially a man of peace. In July that year, he was taken to the presidential office at Tuynhuys in Cape Town to meet President Botha (who resigned from office weeks later). Mandela remembers the meeting fondly, recalling that President Botha "poured the tea himself."

From the day Botha left office, reform proceeded apace. For, although he laid the basis for the changes of the 1990s - repealing the notorious influx control regulations which kept blacks out of cities, and which forced them to carry the hated passbook; legalising mixed marriages and relaxing residential segregation - he left the biggest risks untaken. History will laud President de Klerk, who took office as acting president in August 1989, for having the courage to leap where President Botha stood still.

lifted from their shoulders. "We have to make peace with our black people while we still have the chance."

P W de Klerk, who according to some of his colleagues was no early convert to reform, leapt at the chance to make peace before it was too late. Prof Viljoen, who retired last year because of ill health, remembers that the strongest impetus to change came after the 1988 demise of communist regimes which had been the ANC's main military backers. "We recognised it as a unique opportunity in the course of history, a God-given opportunity - we thought of it very much in Christian terms - to ensure that conflict in South Africa could be resolved."

De Klerk drew the parallel with Rhodesia: "When the opportunity was there for real constructive negotiation, it was not grasped," he said in

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CONTENTS

Finance: The Budget and you	II-VIII	Food: Wicked pleasures of fine gas	XVII
Travel: The changing face of Chile	X	Fashion: Rei Kawakubo, an original woman	XVIII
Sports: Man who counts Lorrain Lewis' money	XI	Books: What happened next	XIX
Arts: Books & Cheese	XII	Food & Wine: Garganey	XIII
Arts: The new art	XIV	Food & Wine: How to spend it	XIV
Arts: The new art	XV	Food & Wine: Making	XV
Arts: The new art	XVI	Food & Wine: TV and Radio	XVI

مكتبة العصر

MARKETS

THE BUDGET AND YOU

London

Markets toast Clarke's health

By Peter Montagnon

Fancy that. Not only did chancellor Kenneth Clarke leave beer well alone in his first Budget, but when it was over you could still think of him as the kind of chap to spend an evening with in the pub.

Our Ken may be a bit pugnacious but underneath that bluff exterior ticks the decent heart of a man prepared to buy a round of drinks for the old folk to keep them warm in winter. The trouble is that just when the evening draws to close in a merry haze, you know he's going to turn round and say: "It's on you."

At the outset both the gilts and the equity market loved the Budget. The FT-SE 100, which had already risen 31 points on Tuesday, surged another 86 on Wednesday. Admittedly the movement slackened after that, but the net gain of 68 points over the last three trading days of the week was striking compared with the advance of only 15 points that followed Lord Lawson's give-away Budget in 1988.

Similarly gilts advanced about three points over Tuesday and Wednesday though the gains tapered towards the end of the week, partly reflecting caution ahead of next week's auction. That apart, there are plenty of reasons why the gilt market should last longer in the gilt market than for equities.

Not only did Clarke announce that £7bn of gilts already sold to banks and building societies would count towards next year's funding. He took another £5.5bn in tax increases and spending cuts out of the PSBR for next year on top of the £5.7bn already pencilled in by Norman Lamont. He promised a balanced budget by the end of the decade, which may stretch credibility a bit but is better than having no such target. And he forecast that underlying inflation would not exceed the government's 4 per cent ceiling next year.

So long as the spending controls work, this adds up to a recipe for lower gilt yields. Inflation will continue to be squeezed and the government's demands on the gilt market should fall below £30bn in 1994-95 compared with around £50bn this year.

What is good for bonds, though, is not necessarily the same for equities. So far the equity market seems blithely prepared to ignore the moment when the bills start to come in. The squeeze on consumer demand will become ever tighter after April, Clarke's economic growth forecast of 2.5 per cent may only work if the savings rate falls sharply and that is unlikely unless confidence revives.

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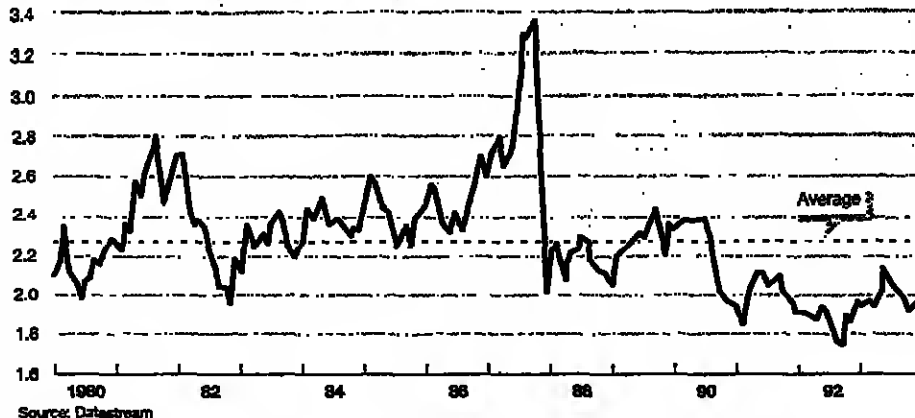
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UK yield gap

15-year gilt yield divided by FT-SE All-Share Index yield



dence revives. While the chancellor won plaudits from the City for fiscal rectitude and from Tory backbenchers for restoring the government's grip, it was easy to forget that this year's two Budgets will take some £750 away from households earning £30,000.

There is some consolation for the equity market. Lower inflation and lower long-term interest rates make p/e multiples and yield valuations acceptable that would have been unthinkable a few years ago, as the yield-gap chart on this page shows. Besides, if fiscal austerity really does cause the recovery to falter, Clarke can always ring Eddie George at the Bank and tell him that, while the timing is of course now up to him, it would be a good moment to cut interest rates. That would help gilts and equities by prompting another big flow from bank and building society deposits.

The easy theory that a strong gilt market should underpin equities depends, though, on gilts actually responding to the chancellor's treatment. There is room for doubt in both a domestic and an international context. The gilt market has much more grounds for worry about whether the chancellor will stick to his spending plans. If he does not, its PSBR estimates are thrown out of gear, but equities would benefit because fiscal policy is not quite as tight as previously assumed.

Moreover ten-year gilts are already trading at an unusually narrow spread of 66 basis points (hundredths of a percentage point) over US Treasury issues and 71 basis points over German bunds. Until the chancellor's credibility on spending is established with overseas investors gilt market trends will depend heavily on what happens in other markets. The sporadic nervousness in the New York bond market is food for thought.

For the time being it looks as though foreign investors still like the UK. The strength of sterling, above DM2.56 yesterday afternoon, bears this out. Shorn of foreign support which seems prepared to defy most rational criteria, though, the equity market could look as sorry sight. As striking as Tuesday's Budget was a string of disappointing results.

On Wednesday the General Electric Company warned that its profits this year would show little improvement over 1992 because of higher development spending on defence projects and poor markets for products like cables. At least Lord Weinstock will not even have to pay up a share for Ferranti's assets now, but it would help if he could find some useful way of investing that ever-mounting cash pile. GEC shares fell 15p to 34p on the week.

Argyll also chose Wednesday to report that its profits would be reduced by about £40m this year because of a decision to write down its stores. The announcement overshadowed a 6 per cent increase in interim pre-tax profits and raised worries about other food retailers who will come under increased pressure to do the same. Argyll fell 8p to 25p on the week.

On Thursday it was Hanson's turn. Its full year profits fell to £1.03bn from £1.29bn, the dividend was held and it warned of higher interest charges as its wheeze of borrowing in dollars and investing spare cash in sterling has become much less lucrative. It is also to float its housebuilding units to raise possibly as much as £500m. All that was worth a fall of 12p to 26p.

Ladbroke baffled everybody. On Tuesday it disclosed that Michael Hirst, a senior director who runs its hotel division, sold just over half his holding. On Thursday the company announced that the sale was, however, unconnected with

cable discussions it was having with Hirst about his future. On Wednesday it also said it would pay a foreign income dividend, which institutions dislike because they cannot reclaim a tax credit. Yesterday Ladbroke began to backtrack, but the odds on this adding up to good news have lengthened. The shares fell 17p to 145p.

But it was not all gloom on the corporate front. Carlton Communications leapt 57p to 834p after Monday's agreed £624m bid for Central Independent television. Royal Bank of Scotland stole the show, though, on Thursday with a surge in full-year profits from £12.6m to £265.2m and a 25 per cent increase in its dividend. It rose 46p to 34p on the week.

That underlines the attraction - in times of weak growth and low interest rates - of companies with secure and rising dividends. Other banks like Lloyds might benefit too. So would those ailing supermarkets if only they could cut their store opening programmes and pay surplus cash to shareholders instead.

BUDGET AT A GLANCE

MEASURES WHICH HAVE ALREADY BEEN IMPLEMENTED

- Indexation can no longer be used to create a loss for capital gains tax purposes
- All chargeable gains (for CGT purposes) made by individuals can be deferred, where the gain is reinvested in shares of a qualifying unquoted trading company.
- Retirement relief from CGT (for entrepreneurs selling a business) is extended. Full relief is available on the first £250,000 (previously £150,000) and half relief is available on the next £750,000 up to £1m (previously £450,000 up to £800,000).
- Vehicle excise duty up by £5 to £130.
- Rise in excise duties puts 11p on pack of 20 cigarettes, petrol up 3p a litre. Beer and spirits unchanged.

MEASURES WHICH WILL APPLY FROM JANUARY 1994

- Excise duties put 2p a bottle on wine
- New fixed interest bond for pensioners introduced.
- A new Enterprise Investment Scheme will give income tax relief, at a 20 per cent rate, to those investing up to £100,000 a year in a qualifying unquoted trading company.

MEASURES WHICH WILL APPLY FROM APRIL 1994

- Personal allowance frozen at £3,445 for those under 65, £4,200 for those aged 65-74 and £4,370 for people 75 and over.
- Relief on married couple's allowance restricted to 20 per cent. The allowance is frozen at £1,720 but increased from £2,465 to £2,865 for those aged 65-74 and from £2,505 to £2,705 for those 75 and over.
- Blind person's allowance increased from £1,080 to £1,200.
- 20 per cent band increased from £2,500 to £3,000.
- Higher rate threshold frozen at £23,700.
- Employees' National Insurance contributions increased from 9 to 10 per cent. This will apply to weekly earnings of £57-£430 (compared with £56-£420 previously).
- Rate of Mortgage Interest Relief restricted to 20 per cent.
- Capital gains tax and inheritance tax thresholds maintained at £5,000 and £140,000 respectively.
- Extra 50p a week for single pensioners and 70p a week for pensioner couples as compensation for VAT on fuel.
- Pensioners scheme earnings cap up from £75,000 to £78,800.
- Permanent health insurance benefits will only be tax-free for the first 12 months, where entitlement starts after April 5.
- Tax relief on private medical policies for those aged 60 and over will be restricted to 25 per cent.

MEASURES WHICH WILL APPLY FROM OCTOBER 1994

- New 3 per cent tax on general insurance premiums.
- New departure tax comes into force. £5 per passenger on flights to the UK and European Union; £10 for flights elsewhere.
- New childcare allowance of up to £28 a week available to help those on family credit, who wish to find jobs.
- Cold weather payments up from £6 to £7 a week (in winter).

MEASURES WHICH WILL APPLY FROM APRIL 1995

- Rate of Mortgage Interest Relief restricted to 15 per cent.
- Relief on Married Couple's Allowance restricted to 15 per cent.
- Married couple's allowance for those aged between 65 and 74 increased from £2,685 to £2,995. The allowance for those aged 75 and over increased from £2,705 to £3,045.
- A single pensioner will receive a further 50p a week to help cope with VAT on fuel. Pensioner couples will get an extra 70p a week. Those on income benefit will get extra help.

MEASURES WHICH WILL APPLY FROM APRIL 1996

- Unemployment benefit will be replaced by the Jobseeker's Allowance, which will last for six months rather than 12.
- A further 30p a week help for single pensioners with VAT on fuel. A pensioner couple gets 45p a week. Further rises also apply to those on income support.

MEASURES WHICH APPLY FROM 2010

- Retirement age for women up to 65, phased in over 10 years.
- Announced in the March Budget by Norman Lamont.

HIGHLIGHTS OF THE WEEK

	Price	Change	1993	1993	
	Ytd	on week	High	Low	
FT-SE 100 Index	3234.2	+122.8	3234.2	2737.8	Favourable Budget measures
FT-SE Mid 250 Index	3566.5	+111.6	3566.5	2876.3	Second-line stocks rally
Abbey National	452	+46	457	345	Rate cut hopes/housing starts
Burclays	609	+53	626	362	Low interest rate environment
Bess	531	+52	647	441	Strong sector & results
Central TV	2650	+482	2678	1616	Bid by Carlton Comms
Euro Disney	413	+63	1180	288	Restructuring hopes
Grand Metropolitan	434.6	+44.6	480	373	Budget relief/good results
Hoywood Williams	382	+45	386	186	Forecasts profits surge/US acquies
Ladbroke	145	-17	222.4	142	Share sales/FID concern
Micro Focus	1033	-290	3013	1033	Profits warning
Rascal Electronics	162	-30	281	147	Interim loss
Royal Bank Scotland	430	+46	435	207	25% div increase/profits surge
United Newspapers	579	+52	593.4	480.4	Budget relief over VAT
Wolsey	793	+63	794	533	Buoyant building sectors

The Bottom Line

What Clarke did not do

Maggie Urry hears a sigh of relief from the pundits

If Mr Kenneth Clarke's first Budget was remarkable for one thing, it was what he did not do rather than what he did. Seldom has the stock market pundits been so wrong in their predictions of gloom.

Aside from the general euphoria with which the market greeted the Budget, a number of stock market sectors have rebounded in relief that the worst did not happen. Others have risen as the Budget raised expectations that interest rates and inflation would be lower than had been thought.

Idea like that - plus good profit figures from Royal Bank of Scotland - have made the banks some of the best performers this week.

In the relief category must come sectors such as building materials and contracting and construction. While cut backs in spending - such as on the roads programme - and the creeping abolition of mortgage interest relief might appear bad news, the measures the chancellor ended up taking were by no means as bad as analysts had feared.

Housebuilders could even take heart from the suggestion of more social housing being built. Companies such as BICC were buoyed by news that the West Coast line refurbishment will go ahead, as will the Docklands Light Railway extension.

Another big concern had been the threat that tax-exempt investors, such as pension funds, might lose their tax credits on dividends. Clarke did not take up that suggestion which was good news for the life insurance companies, which manage a lot of tax-exempt money.

It was good too for higher yielding stocks, especially those where dividends are secure and expected to rise.

Sectors which have moved immediately on the budget may not be those which do well or badly over the next 12 months.

Utilities such as electricity and water stocks have been particular winners since the budget. Another non-story as it turned out - though Clarke kept everyone guessing till the last moment with a rather theatrical performance - was the extension of VAT to more categories of goods.

The lack of the widely-expected VAT on books and newspapers has boosted the media companies, like Reed, EMAP, Daily Mail, Mirror Group Newspapers and The Telegraph. Also retailers such as WH Smith, J. Menzies and Pen-tos were gainers.

Similarly, the chancellor's

decision not to put VAT on food or children's clothes, as many thought he would, helped some stores groups. However, the benefit food retailers might have expected to see in their share prices has been more than wiped out by Argyll's decision on Wednesday to start depreciating its shops which unsettled the whole sector.

One of the best performing sectors, brewers and distillers,

cut in profits - after all the tax is intended to raise £750m in a full year. But after hefty premium increases in recent years, the companies may be able to pass on the tax quietly to policyholders insured to risks.

Likewise, airport departure duties of £5 and £10 depending on destination, which will not come into effect until October next year anyway, are unlikely to make much difference to the price of package holidays, or to the profits of the likes of British Airways or BAA.

The big sector losers since the budget have largely been those affected by other issues - like the food retailers. The electronics sector has been hit by poor trading news from GEC and Rascal, while a sharp fall in profits at Hanson dragged down the conglomerates sector.

The sectors which have moved immediately on the budget may not be those which do well or badly over the next 12 months. But it is much harder at this stage to predict which will be next year's winners.

Hopes of a continuing consumer-led recovery suggest consumer sectors should do well. Interest rate sensitive sectors should also outperform as the new expectation of base rates coming down further and staying down longer proves correct.

Wall Street

Good news runs rampant

Any doubts equity investors may have had about the strength of the US recovery should have been dispelled this week by what was probably the most positive batch of economic data seen since the end of the recession.

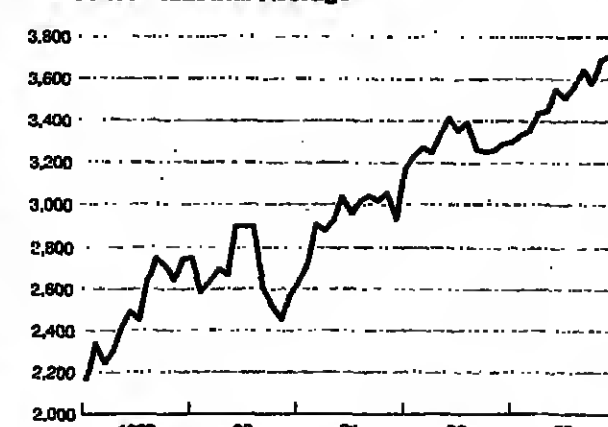
In successive days, there was good news on consumer confidence, nationwide manufacturing activity, personal income and consumption, and leading economic indicators.

Most important of all, the latest jobs data was very bullish. Government figures released yesterday showed that non-farm payrolls rose 208,000 in November (analysts had predicted a rise of around 140,000), and that the national unemployment rate dropped from 6.8 per cent to 6.4 per cent.

Admittedly, there was some bad news - home sales fell and store sales were disappointing in November - but it was not enough to dent hopes that the US economy could record growth of more than 4 per cent in the final quarter of this year, up from below 3 per cent in the previous three months.

Aside from the positive economic data, analysts will also have to start factoring into their forecasts the impact on growth of the latest declines in oil prices. This week, the price of a barrel of oil fell to \$14.95, the lowest it has been in more than five years. The decline - which stemmed from last

Dow Jones Industrial Average



Source: FT Graphix

week's failure of oil exporting countries to agree on production cuts - may have rattled oil stocks, which have dropped sharply in recent days, but it should help the industrial and transport sectors.

One might think that all this good news would have provided a strong fillip to share prices this week. Think again. Stocks did rise over the five days, but not by much. From the opening on Monday to mid-morning yesterday, the Dow Jones Industrial Average had gained only 17 points, or less than half a per cent, while the Standard & Poor's 500 (a broader measure of share price performance) had barely moved at all.

The apparent lack of enthusiasm among investors about the economy has its roots in two factors. First, share prices are close to their record highs and stocks remain expensive in terms of company earnings, so investors are wary about pushing equities any higher. The Dow seems to have found a short-term ceiling around 3,700, and it is probably a question now of waiting for corporate profits to catch up with share valuations before stocks look worth buying again.

Second, concern about the outlook for interest rates continues to nag at investors. Bond prices may have stabilised this week, with the yield

on the benchmark 30-year bond seemingly stuck between 6.2 per cent and 6.3 per cent, but investors appear convinced that long-term interest rates are only going to go higher, not lower, during the next six months to a year.

If interest rates do rise steadily over the next 12 months, the flow of investors' money into equities, which has been the single highest factor driving prices higher over the past two and a half years, could begin to slow.

Although interest rates have been edging higher for little more than a month, an executive at Fidelity Investments, the largest US mutual fund group, noted earlier this week that some of the firm's clients had been favouring short-term money market funds over stock and bond funds in recent weeks. It is premature to sound the alarm about money flows, however. Money-market funds now return a miserly 2.5 per cent and it would take a big fall in stock and bond prices, and/or a significant increase in interest rates, before anyone other than the most conservative, risk-averse investor finds 2.5 per cent an attractive option.

Patrick Harverson

Monday	3677.80	- 6.15
Tuesday	3683.55	+ 6.15
Wednesday	3697.08	+ 13.13
Thursday	3702.11	+ 5.92
Friday		

Serious Money

Clever, yes. Simpler, no

Kenneth Clarke's Budget may have gained the thumbs up from the gilt and equity markets, but on one important criterion, it deserves the thumbs down.

Simplicity is an important part of the tax system, and is not just of academic interest. When chancellors add layers of complexity, taxpayers have to devote more time to coping with the rules. Investors' decisions become determined not by the nature of the investment, but by the nature of the tax rules which apply to it.

It is much easier for individuals to plan their finances if the tax system is governed by consistent principles. If government changes to the tax rules are arbitrary, confusion results.

Nigel Lawson's reform made large strides in the direction of simplification; by the end of his chancellorship, for example, we had just two rates of income tax, 25 and 40 per cent. His three successors - Major, Lamont and now Clarke have tinkered with the rules to make matters worse.

Let us start with tax reliefs. There was logic in limiting all reliefs to the 20 per cent rate of tax. This appeared to be the direction in which the government was heading in the last Budget when it reduced three items to 20 per cent: the tax credit on dividends, mortgage interest relief and the married couple's allowance.

Now, we have an additional 15 per cent band at which reliefs will apply from April 1995: on Miras and on the married couple's allowance. There is no 15 per cent income tax band, so this new relief does not fit the system. It means there will be four rates on which tax reliefs will apply - 15, 20, 25 and 40 per cent.

An alternative approach would have been to reduce the amount of the married couple's allowance from £1,720 and to limit the size of loan on which mortgage interest relief was granted to, say, £25,000.

The Treasury argues, however, that reducing the loan limit would have the greatest effect on those with the biggest mortgages. Reducing it to 15 per cent spreads the pain. Once a 15 per cent relief had been established for Miras, then it was logical to apply it to the married couple's allowance.

Again, there appears to be a contradiction. It might seem the Treasury's clear intention to phase out the married couple's allowance, as an anachronism in an age of independent assessment of men and women. However, the Treasury is increasing the married couple's allowance for those over 65 in each of the next two years. So is the married couple's allowance going or not?

Then we have the changes to capital gains tax. The old sys-

tem of CGT was fairly complex, but it at least had some kind of inner logic: investors should not pay tax on gains which merely represented compensation for inflation.

The new system, explained by Scheherazade Dameskhhu on Page III, means indexation cannot be used to create losses. So if you invest £10,000 and, after five years, prices have doubled, you will not have a CGT loss of £10,000 to offset against gains elsewhere. If you make a nominal loss of £10,000, however (which would, in our example, mean the company going bust) you will still be able to offset that against other gains.

What seems particularly arbitrary and unfair is the change applied immediately from Budget day. Investors will have based their planning on the rules applying at the start of the tax year. If, for example, they had already made gains of over £5,000, they might have planned to sell

'Nigel Lawson made tax simpler - but since it has been made worse'

loss-making investments (under the old rules) to eliminate their tax liability. As one reader has written: "The goal posts have been moved in the middle of the match."

Then we have the "son of BES". The Business Expansion Scheme will be abolished from the end of this year. It has had a chequered history. It was designed to encourage investment in small businesses; unfortunately, many of the businesses failed. Then it was turned into a scheme for encouraging private rented property and ingenious sponsors devised ways of making it a rewarding tax break.

BES is being replaced with the Enterprise Investment Scheme, designed to encourage investment in small businesses. Private rented property is excluded. The rules are slightly different; relief is limited to 20 per cent, the amount which can be invested has increased from £50,000 to £100,000, and paid directors will qualify for relief. Nevertheless, we appear to be going around in circles.

One lesson is to beware of Budget predictions. Full tax relief on personal pensions is still in place, the BES was not abolished one month early; investors were therefore wise to ignore the "buy now while stocks last" pre-Budget hype. Decisions can now be taken in a calmer environment, although not, alas, in a simpler tax regime.

Philip Coggan

FINANCE AND THE FAMILY

THE BUDGET AND YOU

Capital gains tax

Unpleasant ingredient

Budgets are expected to throw up some unpleasant surprises, but the decision to end the use of indexation for capital gains tax losses will be particularly unpopular. Chancellor Kenneth Clarke included the measure among the tax "loopholes" rattled off at great speed in his speech.

Investors will now be able to use indexation only to reduce gains but not to create losses; since Tuesday, only nominal losses (ie, when the price of the asset has fallen) can be offset against gains.

"It's a fundamental change in the law and not a loophole," said David Rothenberg of chartered accountant Blick Rothenberg. "It will affect all those people with assets which have not increased in value since 1982. The approach of hiding it under the guise of anti-avoidance is underhand."

CGT is payable when you make gains on the disposal of most assets but there is an annual exemption of £5,000. (The annual exemption was not raised in either of this year's Budgets). An investor must pay tax at his marginal rate on gains above this amount.

In 1982, an indexation allowance, based on the retail prices index, was introduced so that nominal gains achieved because of inflation were not taxed. The Inland Revenue releases the indexation factors, and the *Weekend FT* publishes a table every month explaining how to calculate your CGT bill based on these figures.

Former chancellor Nigel Lawson decided to make a number of changes to CGT in his 1985 Budget, to "produce a fairer tax" and "make life simpler for the taxpayer." One of these was to extend indexation to losses, so that a nominal capital gain would be treated as a real capital loss and the value of a nominal capital loss could be increased to reflect the real loss and to be offset against other gains.

What is the effect on the investor? Ignoring the situation before April 6 1982 - when indexation was introduced - and assuming

Scheherazade Daneshkhu predicts that the move to end indexation for CGT losses will be very unpopular

that November's RPI is the same as October's (141.8), Parry-Wingfield offers the following examples of how the change now affects those with assets subject to CGT.

Suppose that you bought shares in April 1982 (after the 5th) for £10,000 and sold them last month for £1,000. If you sold them before Budget day, your allowable loss, using the indexation table published in last week's paper, would be £16,500. This is because the proceeds of £1,000 are deducted from the indexed cost of £17,500 (£10,000 x 1.75).

If, however, you sold them on Budget day, your allowable loss would have been only £3,000 because the £1,000 proceeds would be deducted from the unindexed cost of £10,000.

What about transfers between husband and wife? At first sight, it might appear that husbands and wives can get around this rule by transferring loss-making shares to

one another. Transfers between spouses are on a "no gain/no loss basis," which simply means that there is no immediate tax effect.

Since the spouse is treated for CGT purposes as having acquired the shares at their original cost plus indexation up to the date of transfer, some married couples could think that, by transferring loss-making shares to each other before selling them, they can preserve the indexation.

The Inland Revenue is going to prevent this, though, by introducing "special rules" so that the indexation applying to the cost of an asset transferred between spouses on or after Tuesday can be used only for gains, not losses.

Nevertheless, the indexation

leaves you with £7,505 of allowable losses.

The Treasury says it expects the indexation restriction to raise £50m in 1994-95, rising more sharply to about £300m in 1996-97 - which, according to Parry-Wingfield, amounts to a forecast of what losses people will make. Rothenberg added: "Farmers will be major losers from the legislation because of the fall in value of agricultural land since 1982."

"People with assets which have not gone up, including a second home, loss-making shares and failed businesses, will all be affected. These are people who expected to have allowable losses which they now will not have."

CGT re-investment relief Although many people will be affected by the CGT restriction, fewer are likely to benefit from a CGT concession handed out by Clarke. This extends the CGT roll-over relief, introduced in the March budget for entrepreneurs selling their own company and re-investing in an unquoted trading company, to any individual.

The aim is to encourage people to invest in small businesses by holding out the carrot of deferring a CGT bill. But the type of unquoted trading companies into which investors could roll over their CGT liability is limited - excluded are those which hold more than 50 per cent of their shareable assets in land, as well as most financial companies and subsidiaries. So investors are confined to the riskier end of the market.

As long as the shareholder does not emigrate within three years of buying the new shares, he can defer the CGT bill on his original gain. "It's bound to attract a lot of interest as long as the investment is not too risky," said Caroline Garrahan, tax and trusts specialist at solicitor Simmons and Simmons. "The fact that there is no clawback after three years gives scope for planning."



Rothenberg said, however, that investors in quoted companies could sell easily because of their liquidity while the market for unquoted shares was less liquid.

"In practice, few people will want to sell and re-invest to postpone CGT, but the roll-over relief does give an opportunity to shelter a proportion of the gain," he added.

Andrew Jones, of accountant Ernst & Young, agreed. "Unquoted companies are not readily marketable, so it's not taken for granted that people would want to roll over CGT relief. I think the impact will be marginal."

Another positive CGT measure announced by Clarke was raising the limit on the amount of relief from CGT when a person sells a business (or some other assets) on retirement, provided they are 55 or over. Relief is now available on the first £250,000 (instead of £150,000) of gains, and half relief is given on gains between £250,000 and £1m (previously between £150,000 and £800,000). The exemption is reduced for those running the business for less than 10 years.

Doomed BES has twins

People hoping that chancellor Kenneth Clarke would say something about a "son of the business expansion scheme" - due to be abolished at the end of the year - will be pleased that the BES has spawned twins, writes Scheherazade Daneshkhu.

One is somewhat premature, since only sketchy details of a "new type of investment trust" called a venture capital trust, to invest in unquoted companies, have been revealed. It will pay dividends free of income tax and gains will not be subject to capital gains tax.

This makes it similar to a personal equity plan, but other details will be worked out only after Clarke issues a consultation paper in the new year. The BES's £5m (apart from shipping companies, which are allowed £5m).

By contrast, the enterprise investment scheme (EIS) for new investment in qualifying unquoted companies is to come into effect from January 1, but since the legislation for it will

not be in place until several months later, it is likely to get off to only a slow start. The main features are:

- Income tax relief at 20 per cent (instead of at the taxpayer's marginal rate under the BES), and full CGT exemption.
- Full tax relief for losses made on the sale of shares.
- Investors can become paid directors.

- Maximum investment raised from £40,000 to £100,000.
- Investment in private rented housing will not qualify for relief.
- Shares must be held for five years.

- Carryback relief is £15,000, instead of £5,000 as under the BES.

- Companies are limited to raising £1m, instead of the BES's £5m (apart from shipping companies, which are allowed £5m).

- Qualifying companies must have traded in the UK for three years but do not have to be incorporated or resident there.

Group, a BES analyst, said: "It's taking the BES back to its original intention as venture capital for small businesses."

"It is less attractive than the BES because it is less secure, and there is less scope for tax arbitrage since the front-end tax relief has been reduced from 40p in the pound to 20p. However, the CGT and income tax relief on loss can be exploited."

Charles Fry of Johnson Fry, a BES sponsor which invented the successful "loan-back" scheme, said the task would be to come up with packages attractive to investors combining the CGT roll-over provision extended by Clarke to all investors (see main article on this page). Investors would still have to pay CGT on their original gain.

John Snelgrove, partner for private client services at accountant BDO Binder Hamlyn, added: "We are back to the original BES scheme except that an investor can become a paid director."

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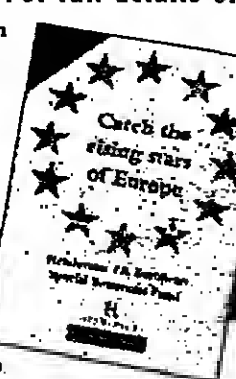
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1970	£30,269	£2,369
1975	£35,455	£3,304
1980	£72,231	£5,046
1985	£191,470	£7,741
1990	£396,266	£12,052
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FINANCE AND THE FAMILY

THE BUDGET AND YOU

Families

Mr and Mrs Suburban: winners or losers?

Philip Coggan looks at the effects on three different households

Two Budgets in one tax year create enough detail to confuse any taxpayer. What makes matters even more complex is that both Norman Lamont and Kenneth Clarke announced measures which would take effect in future tax years.

Our Budget "At a Glance" box on page 11 guides investors through the timetable of tax changes. But for the effect on



individual taxpayers, the *Weekend FT* asked Michael Bishop and Clive Mackintosh of Price Waterhouse to analyse how three different households will face different tax bills in 1994-95.

MR & MRS SUBURBAN. Mr Suburban has a salary of £30,000 and his wife earns £15,000. He has an 1800cc company car, which cost £19,000 and he travels 5,000 business miles a year. They have a joint mortgage of £60,000 which bears an interest rate of 7.5 per cent per annum. Following an inheritance, they have investments of £80,000, yielding an annual gross income of £3,800.

The Suburban couple are losers from the combined Lamont/Clarke Budgets on a number of points. For a start, Mr Suburban who is a 40 per cent taxpayer, gets the married couple's allowance. Relief on that allowance is being restricted to

20 per cent from April 1994, reducing its value to Mr Suburban from £688 to £344. In 1995-96, the allowance will be limited further to 15 per cent, costing the Suburbans another £86 a year.

The couple will also pay a higher National Insurance Bill because of two changes; the increase in the higher rate from 9 to 10 per cent announced by Lamont; and the widening of the bands, from £56-£220 per week to £57-£430 per week, announced by Clarke. The combined effect costs Mr Suburban £282 and Mrs Suburban £112 in 1994-95.

The restriction of tax relief on mortgage interest to 20 per cent (another Lamont measure) from April 1994 will cost the Suburbans £112 a year.

These changes offset one of the few positive tax moves - the widening of the 20 per cent tax band from £2,500 to £3,000 - which will save the couple £25 a year each.

Mr Suburban's company car is taxed more heavily in 1994-95 because of a change in the tax system, introduced in Norman Lamont's last Budget. The new system is based on the list price of the vehicle when new, rather than on a combination of engine size and price as before. The change hits middle managers like Mr Suburban, who made optimum use of the old system which encouraged company car owners to own vehicles costing less than £19,250 and under 2,000cc.

All this means the taxable benefit of Mr Suburban's car will increase from £2,990 to £4,633, pushing up his tax bill by £977.20.

The couple also see their fuel bill increase by £74, because of the imposition of 8 per cent VAT, and, as they drink wine and smoke cigarettes, their expenditure on alcohol and

tobacco will rise by £28 a year. The increase of 3p a litre on petrol increases their motoring costs by £113 a year.

Overall, the Suburbans are £1,542 worse off in 1994-95.

MR PENSIONER. Mr Pensioner is single, over 70 years old and receives a basic pension plus SERPS, plus an occupational pension of £15 per week. He has neither savings, nor mortgage and drinks beer.

After the Budget, his basic pension will rise from £56.10 to £57.60 per week in 1994-95; of that increase, 50p is due to the VAT compensation package. Because he is a beer drinker, the Budget did not increase Mr Pensioner's alcohol bill.

VAT on fuel, however, will increase the amount Mr Pensioner spends on heating by £47.50 a year.

The changes appear to leave Mr Pensioner marginally better off, because the rise in his pension is higher than the rise in his fuel bill. However, the pension rise is, of course, designed to compensate pen-



sioners for price increases on other goods, such as food.

If one nets out that part of the pension increase which is solely due to VAT on fuel - £28 a year - one can see that it does not compensate the pensioner for the actual rise in the fuel bill of £47.50 a year.

MR & MRS WEALTHY.

The Lamont/Clarke Budgets have provided mixed news for the Wealthys. Mr Wealthy earns £100,000 a year, has a company Porsche with a list price of £30,000, in which he



travels 10,000 business miles a year with fuel provided. He has already invested £25,000 in Business Expansion Schemes this tax year, which will earn him £10,000 in tax relief.

Mrs Wealthy earns £30,000 a year and has a company Toyota Celica, with a list price of £20,000. No fuel is provided by the company; her annual business mileage is 2,000 miles. The couple has a joint mortgage of £50,000, at an interest rate of 7.5 per cent.

Mr Wealthy liked the safe, property-backed BES companies; he will not be tempted by the more risky Enterprise Investment Scheme, due to start in January. So, merely because of the end of the BES, he will pay a lot more tax in 1994-95.

But if one ignores the BES, the Wealthys are, surprisingly, better off because of this year's Budgets. This is because of their company cars.

In 1993-94, Mr Wealthy's car is taxed as part of the band worth more than £29,000; the taxable benefit is £10,400. For 1994-95, the taxable benefit is based on 35 per cent of the price of the Porsche (£20,000),

MR & MRS SUBURBAN		
	1993-94	1994-95
Combined salary	45,000	45,000
Outgoings		
Total tax liability		
excluding mortgage	11,852	12,379
National Insurance	2,908	3,252
Tax relief on mortgage	(662)	(450)
Tax relief on married couple's allowance	(888)	(844)
Alcohol and tobacco	1,747	1,775
Petrol costs - Mrs S	1,000	1,113
Household fuel	920	994
Total costs	17,177	18,718
Net cost of tax changes		1,542

Figures in £. For assumptions, see Box

Source: Price Waterhouse

MR PENSIONER		
	1993-94	1994-95
Income from state and occupational pension	4,217	4,296
Outgoings		
Tax	0	0
Alcohol	127.10	127.10
Fuel	54.00	587.50
Total outgoings	667.10	714.60
Total spendable income	3,549.90	3,581.40
Gain from changes		31.50

Figures in £. For assumptions, see Box

Source: Price Waterhouse

MR & MRS WEALTHY		
	1993-94	1994-95
Combined salary	130,000	130,000
Outgoings		
Total tax liability		
excluding mortgage and BES	39,390	47,570
National Insurance	3,524	3,902
Tax relief on mortgage	(563)	(450)
Tax relief on married couple's allowance	(888)	(844)
Household fuel	920	994
Alcohol and tobacco	2,820	2,845
Motoring expenses of Mrs W	147	153
Total outgoings	46,238	55,014
Total outgoings ignoring BES	56,238	55,014
Net annual saving (ignoring BES)		1,224

Figures in £. For assumptions, see Box

Source: Price Waterhouse

with a one-third reduction because his mileage is between 2,500 and 18,000. The taxable benefit falls by £3,040; his gain is 40 per cent of that, or £1,216.

Mrs Wealthy also gains from the differing tax treatment of company cars. In 1993-94, her taxable benefit was £8,210, plus a 50 per cent increase because she drove less than 2,500 business miles, making the total £9,315. For 1994-95, the benefit is the cost of the car (£20,000) multiplied by 0.35, or £7,000. Her benefit falls by £2,315; her gain is 40 per cent or £926.

So even though the Wealthys suffer from a higher National Insurance bill, a higher fuel

bill and from reduced tax relief on their mortgages and on the married couple's allowance, the effect of this year's Budgets is to leave them better off by around £1,224.

The examples show that averages can be a misleading way of judging the effects of Budgets, because of the complex nature of each family's circumstances.

Even though analysis from the Institute for Fiscal Studies shows that the Budgets have had the greatest impact on the richest 10 per cent of the population, much depends on individual factors such as company cars and BES investments.

Guaranteed Income Bonds
Granny returns

The "Granny Bond" is set to return in the form of a new fixed interest National Savings vehicle aimed at those over 65.

The National Savings Pensioners Guaranteed Income Bond will pay a fixed monthly income, guaranteed for five years. It will only be available to those aged 65 and over. Interest will be paid gross.

The bond will be launched in the new year and full details will be available nearer the time. National Savings says pensioners will be offered "a decent, fixed rate of return that is within the structure of National Savings and market interest rates prevailing at the time of launch."

It will be interesting to see exactly how competitive the government intends to be. In 1992, the launch of the fixed rate First Option Bond attracted so much money from savers that building societies

bowled in protest. National Savings promptly dropped the rates paid on the bond.

Lower interest rates mean that building societies are having even greater difficulty attracting savings than in 1992. But the government needs a solid contribution from National Savings to help finance its deficit.

One must also question whether the new bond will be quite the boon that Kenneth Clarke, the chancellor, has implied. As Clarke said, interest rates are lower than they have been for a generation; locking away your money at current rates for five years may not be a sensible option.

The original Granny Bonds were index-linked National Savings certificates, which increased in value in line with inflation (these are still, of course, on sale but are available to investors of any age).

Philip Coggan

Student loans

Deeper in debt

Students will have to borrow more heavily to get through university - a consequence of the sharp rise in their numbers. The chancellor asked: "Why should the bus driver or the pensioner pay higher taxes to finance the living costs of tomorrow's lawyers?"

Grants, frozen in 1990 when student loans were introduced, will be cut by 10 per cent next year and by similar amounts for the next two years. Instead, the money available through the Student Loans Company will rise so the total funds available to students will rise by 4 per cent.

For the 1994-95 academic year, the loan limit from the SLG will increase to £1,875 for students in London, £1,150 for those elsewhere and £915 for those living at home. The maximum maintenance grant for

students in London will fall from £2,845 to £2,561.

If the process of cutting the grant and increasing the loan continues as planned, by the beginning of the academic year in September 1996, the proportion of grant and loan for a student's living expenses will be roughly equal. The chancellor also cut the amount paid to universities for students' tuition, which may prompt some institutions to introduce tuition fees.

The National Union of Students said the full grant and loan are often not enough to live on, obliging many students to borrow from a bank or parents instead. A Barclays survey found the average student had debts of about £1,570.

Scheherazade Daneshkhu

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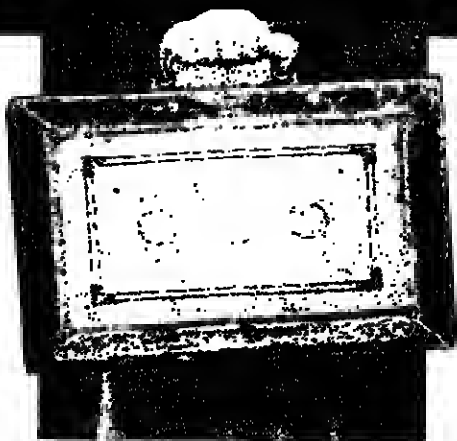
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FINANCE AND THE FAMILY

THE BUDGET AND YOU

Retirement pensions

Five-year shortfall for younger women

Women under the age of 38 will have to work an extra five years until the age of 65 before they can claim the state pension.

The Budget confirmed the government's intention to equalise state pension ages at age 65. At present women can draw the pension at 60, whereas men have to wait until 65. The change, which does not affect the pension rights of women aged over 44, will be phased in over 10 years between 2010 and 2020. The pension age for women aged between 38 and 43 will depend on where their birthday falls.

Younger women who still want to retire at age 60 may need to finance the five-year shortfall in pension benefits. Jim Roberts, pension director at Skandia Life, calculated that a 30-year-old woman would need to invest immediately a

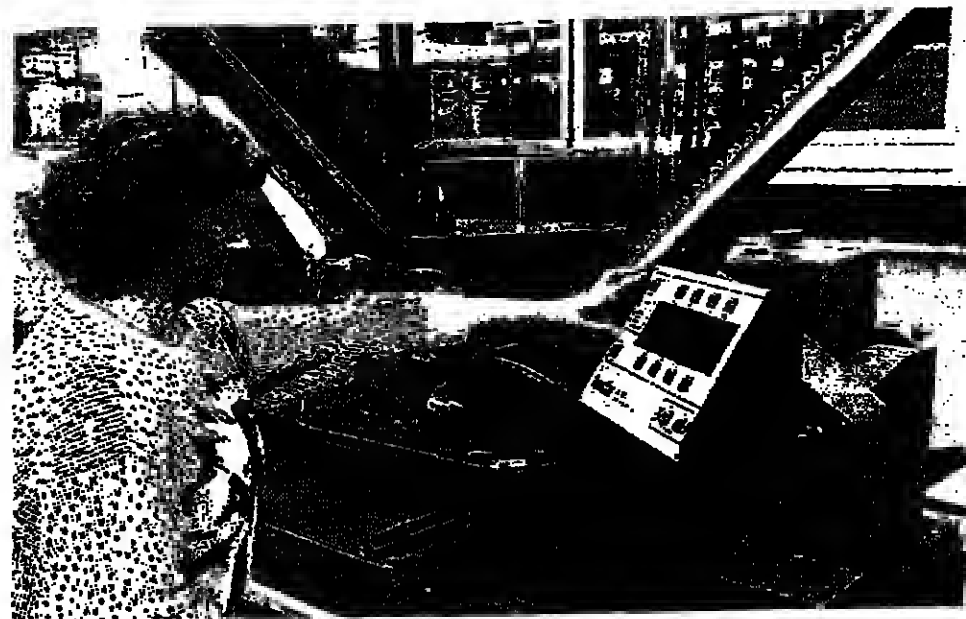
single premium of \$6,250 in a personal pension or a company additional voluntary contribution scheme to achieve this. Alternatively, payments of \$45 per month over the next 30 years would provide the same amount of extra pension.

The state pension comprises two elements - a flat rate benefit known as the basic state pension (currently £56.10 per week for a single person and £89.80 for a married couple) and a pension linked to earnings, known as Serps (the State earnings related pension scheme). Eligibility for both pensions depends on National Insurance contributions which are paid on "band earnings", that is earnings between £56 and £420 per week for the current tax year (£57 and £430 per week in 1994/95).

Changes to the way Serps is calculated, due to take effect for those retiring next century,

will hit women since times of low earnings will be taken into consideration and will drag down the value of the pension. Women, who form 90 per cent of the part-time labour force, tend to spend long periods in low-paid employment to fit in with family commitments. To help offset the impact on women's pensions caused by the rise in pension age and changes to Serps, the government has said that it will improve Home Responsibility Protection (HRP) which is claimed by "carers" (mostly women) of young children and dependent relatives.

The number of years women will be able to claim HRP is to be increased from 19 to 23 while the benefit, which currently only builds up an entitlement to the basic state pension, will be extended to cover Serps. The DSS said that from 1999 onwards carers who have



To help offset the impact on women's pensions the government will improve Home Responsibility Protection

just 20 years of earnings on which they have paid full rate National Insurance Contributions, will be entitled to a full Serps pension. There will also be greater flexibility to defer the state pension.

However, the phased reduction in the value of Serps from its original target of 25 per cent

of average band earnings to 20 per cent will still go ahead after the year 2000.

Most European countries have already equalised their state pensions at age 65, or have announced plans to do so. But even before the latest changes kick in, the UK provides one of the lowest pen-

sions in the European Union. The UK pension (basic and Serps combined) is worth a third of national average earnings, compared with two thirds or more in France, Greece, Italy, Luxembourg, Portugal, and Spain.

Debbie Harrison

Social security

Doubts over child grant

Child care allowance was the only social security measure announced in the Budget to get a welcome from interested bodies on the day. But enthusiasm cooled as its restricted scope became plain. Essentially, the allowance will apply only to the poorest lone parents, mostly women, and can be claimed only by someone on family credit.

If the individual is spending money on child care, the DSS will "disregard" up to £40 of their earnings when calculating the credit. Under the complex credit rules, that translates into a maximum benefit of £28 a week. It will be available only to people working at least 16 hours a week and paying registered child-minders for care of under-11s.

"Does it meet the full cost of paying child care for a 37-hour week? No, of course it doesn't," said Treasury financial secretary Stephen Dorrell. He explained that the allowance was aimed at getting people back into the work force: women with relatively low earning potential now deterred from taking work by the cost of child care.

The allowance could, however, have the side effect of

saving the government from a further appearance in the European Court. The Child Poverty Action Group had been backing an action claiming the government discriminated unfairly against women by not taking account of child care costs when calculating family credit, since far more women than men have responsibility for children. A CPAG spokeswoman said the plaintiff would have to decide whether to go ahead with the case.

Introduction of an incapacity benefit caused anger and consternation among organisations representing disabled people, who said it was wrong of the government to target savings of £1.5bn rather than aiming to meet needs. One of the benefit's most controversial aspects is the new medical assessment.

Social security secretary Peter Lilley said medical control for the incapacity benefit - which it will replace - had been weakened by the fact that, in deciding whether someone was incapable of work, "non-medical factors such as age, educational qualifications and labour market conditions have to be taken into account." But Marilyn Howard of the Disability All-



Lilley... 'controls weakened'

ance said such factors were an essential part of deciding ability to work, adding: "It has been recognised in law since 1946 and the National Insurance Act, and even prior to the first world war, that incapacity for work must have regard to the work an employer would be prepared to pay for and the work someone could be expected to do."

Meanwhile, the CPAG believes the "job-seekers allowance" - to replace unemployment benefit in 1996 but with a new maximum of six months - could land the government in trouble for the invalidity benefit - which it will replace - had been weakened by the fact that, in deciding whether someone was incapable of work, "non-medical factors such as age, educational qualifications and labour market conditions have to be taken into account." But Marilyn Howard of the Disability All-

Barbara Ellis

Value added tax

A £1.5bn sweetener

Kenneth Clarke and Peter Lilley, the Secretary of State for Social Security, worked hard to try to calm the political storm over the imposition of value added tax on domestic fuel.

While the chancellor did not reverse the change, as some people hoped, the compensation package was more generous than expected. More than £1.5bn of extra help will be provided over the next three years, in addition to the effect which VAT on fuel at 8 per cent in 1994-95 and 17.5 per cent in 1995-96 will have on benefits linked to the cost of living.

The package is designed to compensate all pensioners, widows and the long-term sick. Those on income support will see their benefits uprated by 3.9 per cent, rather than the 3.5 per cent that would otherwise have been the case.

Nevertheless, charities felt the chancellor had not been generous enough. "The measures announced will not fully compensate those with high fuel needs," said Sally Greengross, director of Age Concern England. "Fifty pence for single pensioners is only a half to two-thirds of what they need to compensate for VAT on fuel; 70p for couples is only around two-thirds of the amount needed. It is also

important to remember that, although gas prices are coming down, the cost of electricity is rising."

Scottish charities also warned that VAT on fuel would have a particularly harsh effect on the elderly living north of the border where winter temperatures are much lower than in most of England.

The following examples of how the benefits will work in practice have been provided by

Philip Coggan on the chancellor's compensation package

the Department of Social Security:

■ A single pensioner not on income-related benefits. As from April 1994, the basic pension will rise from £56.10 to £57.50 a week. Of this £1.50 increase, 50p is extra money designed to help with VAT on fuel. In April 1995, there will be a further 50p a week help, and another 30p a week in April 1996.

■ A pensioner couple not on income-related benefits. The married couple's pension will increase from £89.80 to

£92.10 a week in April 1994. Of this £2.30 a week rise, 70p is a supplement intended to compensate for the fuel charge. In April 1995, couples will see a further 70p a week in VAT-related increases, and another 45p a week in April 1996.

■ A pensioner couple aged between 60 and 74, and on income support. In April 1994, such couples' pensions will rise from £95.25 to £96.25 a week. Of this £1 increase, 70p is VAT-related. In April 1995 and April 1996, there will be further VAT-related rises of 70p and 60p a week respectively.

■ A couple on income support with two children under 11. As from April 1994, the benefit for such couples will increase from £108.75 to £113.05 a week. Of the £4.30 a week improvement, 45p is VAT-related. Further VAT-based rises of 50p a week and 70p a week will occur in April 1995 and April 1996 respectively.

■ Clarke also announced an increase in cold weather payments from £5 to £7 a week next winter, with a further 50p a week promised for the following winter.

Funds for the home energy efficiency scheme, which provides grants towards domestic insulation, will also be increased.

Insurance tax

Pru defiant, others wary

Within minutes of Kenneth Clarke completing his Budget speech, the Prudential issued a press release emphasising its "determination" not to pass the costs of a new 3 per cent insurance tax to customers.

Unfortunately for consumers, who have faced average rate increases of more than 40 per cent on home and motor policies already, most of the Pru's competitors will not be following suit.

The tax does not affect long-term life insurance (including endowments) or pension policies. But it will be charged on most classes of policy which are bought by individuals - such as home, motor and travel - and, on the whole, it looks like bad news for the consumer.

The Pru, which insures 2m householders, says it will absorb costs through improvements in efficiency and Pearl Insurance will follow suit. "I have decided that our customers should not bear the cost," said David Pyle, Pearl's general manager for general insurance.

Most companies seem certain to pass on the cost of the tax in higher prices, however. The Association of British Insurers, which represents nearly all of them, said the tax, which comes into effect next October, represents an "additional burden for our policyholders."

It added that the tax was "the last thing we wanted at the present time because the cost will need to be passed on

to them." And Mark Boléat, director-general of the association, predicted the extra costs would amount to about 35p a week for most customers.

"Somehow, the cost will have to be passed on to the policyholder. I can't see how we can afford to absorb it," said Mike Jones, head of public relations for Sun Alliance, the largest insurer of homes in the UK.

Roy Randall, head of corporate relations at Royal Insurance, agreed: "The cost will have to be incorporated into premiums eventually."

Legal & General, the fourth biggest home insurer in Britain, says companies promising to protect their customers "have not fully thought through the implications, particularly to shareholders who have had very poor returns from general insurance in recent years. Neither have they considered how they will deal with potentially damaging tax increases in future."

There are widespread fears also that the 3 per cent rate could be increased in future years. Most European consumers pay higher premium taxes, with rates ranging from 7 per cent in the Netherlands to 10 per cent in Germany and up to 30 per cent on some French policies.

"This is the thin end of the wedge. When it comes to taxes, chancellors are like starving men - they can never get enough," said David Prosser, chief executive of Legal & General.

Richard Lapper

Business expansion scheme

New issues rush to beat the deadline

With less than a month before the business expansion scheme is extinguished, new issues are appearing with ever increasing urgency. Close Brothers has launched a second issue of BESSE, BES for the Royal Bank of Scotland to raise £20m. The BES will buy repossessed properties from the bank to be let on assured tenancies. While the first issue, launched in September, offered a fixed return of 120p for every 100p invested, the exit price on the second issue is 125p after five years, equating to a net annual return of 14.4 per cent for a higher-rate taxpayer.

Alternatively, investors can choose a 60p fixed return plus 2.6p for every 1 per cent rise in the FT-SE 100 index, subject to a maximum of 150p (FT-SE growth of 34.6 per cent). There are lock-ins when the Footsie has grown by enough to give a return of 125p and 150p.

BES is providing a guaranteeing covenant and Best BES Advice, published by the Allenbridge Group, says this represents "excellent security." Minimum investment is £2,000 and investors can put money in both schemes.

Pilgrims Assured Homes, sponsored by Downing Corporate Finance and supported by the Bedfordshire Pilgrims Housing Association, aims to raise £5m to provide subsidised accommodation for low-income families. The contracted exit price of 128p equates to 14.3 per cent for a higher-rate taxpayer (the cal-

culation of returns depend on a number of factors, such as when tax relief can be claimed). Minimum investment is £2,000.

Foundation 30 is a new type of arranged exit scheme from Capital Ventures to give investors returns over 30 years. The money is being raised for the College of St Mark and St John in Devon, which is affiliated to the University of Exeter.

Investors will get tax relief on their initial investment, and a return after five years of 35p for every 100p invested. They will sell a fixed proportion of their remaining shares each year to get an annual and rising tax-free return for the following 25. This is envisaged at an initial 6.25p, increasing by 4 per cent a year.

BEST Investment, which analyses schemes, says the college should be able to meet its buyback commitments given the ground rent and fees earned by the college and says the scheme has merit for those about to retire or planning school fees. Minimum investment is £2,000.

Northern Counties Home-maker, sponsored by MMI, aims to provide newly-built homes in Rochdale and Wakefield for those on local authority waiting lists. MMI says the exit price of 124p equates to 14.6 per cent compound annual growth after five years for a higher-rate taxpayer.

Schemes which do not have an arranged exit include the Glasgow Student Village Companies, which will buy properties in Glasgow to let to students. The scheme should pay

a regular dividend based on the rental yield.

Greencroft Properties Four will buy properties to let on assured tenancies in the West Country, while Luxury Family Homes, sponsored by MMI, will buy hotels to cater for adults and children. Minimum investment in all three schemes is £1,000.

Addington Equestrian Centre is to raise money to save the centre, based near Buckingham. Directors include Lady Zinnia Judd and David Broome, the showjumper. Minimum investment is £500.

■ Best BES Advice (071-409 1111); BES Investment (071-435 2037).

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FINANCE AND THE FAMILY

THE BUDGET AND YOU

Payments in Kind

Tax-free gold barred

Employees can no longer look forward to a gold bar in their Christmas stockings. The government has closed a loophole which exempted payments in kind from the National Insurance net.

The Department of Social Security (which is responsible for NI) has been fighting a cat-and-mouse battle with employers and their accountants for some years. The key element was that payments in kind were exempted from NI, with no upper limit on employers' NI, there was every incentive for companies to find unusual ways of paying staff.

Every time, the DSS blocked an NI avoidance scheme, such as gifts or unit trusts, some bright accountant thought of a new one. The last change in regulations, which referred to "financial securities", turned the focus to commodities.

Gold bars were the most common option, with the gold being held in Hong Kong or Switzerland, to avoid VAT. By arrangement with a hulk dealer, the employee quickly turned the gold into cash. Other commodities used have included coffee beans, giving employees the choice between Gold Blend and gold bars.

These schemes were becoming fairly widespread, especially in the City," said David Rothenburg of accountants Blyth Rothenburg. "I don't think anyone believed it was going to be allowed to continue."

The new regulations ensure that gold bullion, other tradable assets (principally commod-



ities), and vouchers representing them, are brought into the NI net. The regulations achieve this by introducing a liability for NI contributions on "any payment made in the form of a beneficial interest in any asset capable of being sold on a recognised investment exchange or the London Bullion Market."

PAYE system.

The Revenue proposes to make employees account for PAYE tax when they pay their staff in marketable assets or "with assets which are not immediately marketable, but where the employer arranges for the employee to convert them into cash." PAYE will also be applied to vouchers and credit tokens which are used to provide these assets.

The Revenue regulations will come into effect after Royal Assent to the Finance Bill. The NI rules came into effect at midnight on Budget day.

It is not clear whether the cat and mouse game can continue. According to Caroline Garham, tax and trusts specialist at solicitors Simmons & Simmons, "any loopholes will depend on the legislation. Until one sees the legislation, one can't see where the loopholes will be."

However the DSS said it would "continue to monitor closely any new schemes designed to circumvent liability for NICs. This will include cases where employers introduce convoluted remuneration packages which have no discernible advantage other than a limitation of NI liability."

Philip Coggan

Employee loans

'Victims' get a break

Cheap or interest-free loans provided by employers have been taxable as a benefit in kind for staff earning £5,500 a year or more. But the Inland Revenue now accepts that the rules can operate capriciously and has announced a thorough reform of the legislation, writes David Cohen.

Such a loan will be taxable only to the extent that the interest rate is less than the "official" rate - the taxable amount is the extra interest that would have been due, had the loan been at the official rate.

The official rate is set from time to time by the Revenue and is intended to be broadly in line with mortgage rates. But this has swept up two categories of employee who should

never have been caught in this particular tax net.

The first comprises employees of banks and building societies who borrow from their employer on the same terms as ordinary members of the public. It is not unusual for mortgage rates to be below the official rate, while the official rate is 7.75 per cent at present, some lenders are offering mortgage rates of 7 per cent.

In future, employees of a company which lends money as part of its business and who receive loans on the same terms as outsiders will be exempt from tax, provided that the loans to the public are more than just a token few.

The other innocent victims are those who borrow in a foreign currency. Interest rates in currencies other than sterling

will usually bear no relation to the official rate. But an employee who borrows yen at 4 per cent now will still be taxed on 3.75 per cent (7.75 - 4.0), even if 4 per cent is the market rate in Japan.

Acknowledging the potential injustice, the Revenue will in future be prepared to set a lower official rate for loans in a foreign currency where interest rates in that country are significantly lower than in the UK. But an employee will be entitled to take advantage of a foreign official rate only if he normally lives in that country and has actually lived there in the present year or the previous five years.

David Cohen is a partner in the City law firm of Paisner & Co.

Private medical insurance

Old to pay more

Private medical insurance will become more expensive for the elderly. Private medical insurance premiums will be subject to the new 3 per cent levy from October 1 1994 and tax relief will be limited to 25 per cent from April 6 1994.

The over-65s enjoy tax relief at their highest marginal rate as a way of making private medical insurance more affordable for those leaving a company's private scheme because of retirement. Martin Werth at Munich Re, the reinsurer company, said he expected tax relief to fall to 15 per cent eventually, in line with other tax relief cuts, such as mortgage interest relief.

But the government is simplifying rules for insurers so that a PMI contract will no longer have to be certified by the Inland Revenue before becoming eligible for tax relief. Some married couples will benefit from one change. Under current rules, relief can be given where a contract covers a married couple, so long as one partner is aged 60 or over. But if one partner dies and the other is younger than 60, he or

she does not receive relief for further premium payments into the contract. The new rules will allow the surviving spouse to obtain relief for the remainder of the contract and will apply to payments on or after April 6 1994.

The chancellor has made a change which will affect adversely those with permanent health insurance - the type designed to provide a replacement income when someone becomes too ill to work for an extended period.

Someone taking benefits from a PHI scheme can find that they are able to claim income tax relief on the benefits for up to two years depending on the date they first received the benefits. If, for example, they took benefits near the beginning of a tax year they would enjoy the income tax exemption for the rest of that year and the next year. However, the exemption is limited to 12 months. The change will take effect from April 6 1994.

Scheherazade Daneshkhu

DIRECTORS' SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED & USM)

Company	Sector	Shares	Value	No of directors
SALES				
BLP Group	Finance	75,000	66	1
De La Rue	Print	12,000	96	1
Forward Group	Finance	82,645	205	1
Guinness	Brew	84,112	373	1
HTV Group	Med	40,000	38	1
Kemwood Appliances	Elect	335,300	1,249	6
Marles & Spencer	Store	682,736	2,788	3
Marshall	BoMa	20,000	23	1
Redland	BoMa	23,713	128	2
Sainsbury	Eng	145,000	559	1
Vesper Thornycroft	Eng	14,008	89	1
Warburg SG	Merc	36,141	298	1
PURCHASES				
Albert Fisher	FDRe	50,000	31	2
Alexandra Workwear	Text	10,000	17	1
EFT Group	OHF	50,000	21	3
Filofax Group	Pack	100,000	158	1
Gresham Telecomm	Eng	25,000	35	1
Haweswood Foods	FDRe	200,000	282	2
Laird Group	Mot	5,000	18	1
Masthead Insurance	LFI	60,000	60	3
Powerscreen Int'l	EngG	48,500	143	3
Regalan	Prop	300,000	72	3
Ross Group	Misc	145,000	25	1
Sainsbury J	FDRe	7,500	29	1
Sedgwick Insurance	INSB	10,000	19	1
Sharelink Int	OHF	30,000	108	2
Sherwood Computer	BoSe	25,000	24	1
Transatlantic	INSL	27,944	94	1
Wardle Stores	Chem	40,000	168	1

Values expressed in £000s. This list contains all transactions, including the exercise of options (if 100% subsequently sold, with a value over £10,000). Information released by the Stock Exchange 22-25 November 1993. Source: Directors Ltd, The Inside Track, Edinburgh

Directors' transactions

Regalan Properties has been hurt by the property decline but business is picking up and three board members including the chairman and chief executive and finance director have all bought stock, increasing their stakes considerably.

Kenwood Appliances came to the market in July 1992 and has performed strongly since. Following the interim results, six board members have sold stock at 316p. Each retains a sizeable number of shares.

Forward has been a strong performer over the past 12 months, outperforming the market by more than 158 per cent. Interim results showed good growth. In May, the chairman and chief executive sold stock at 223p. Since then, the shares have shown further increases to trade around 230p level. P. Starkey is another director to take advantage of the price increase and sold stock shortly after coming to the main board.

Colin Rogers, The Inside Track

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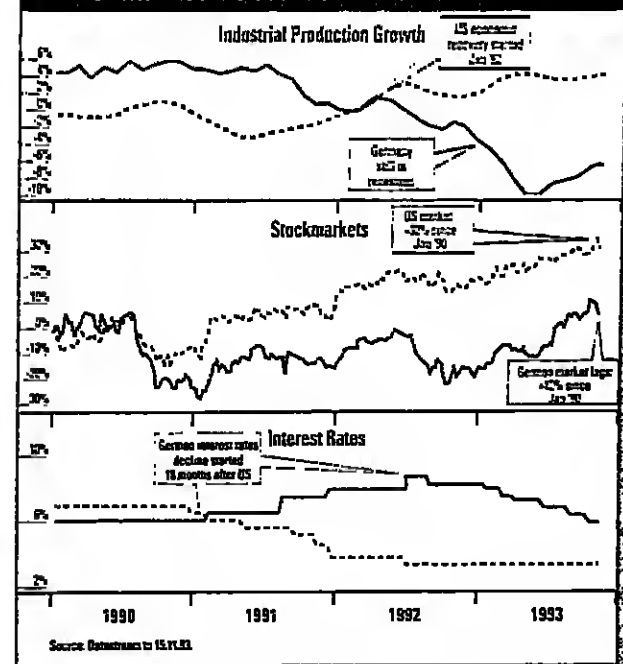
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MINDING YOUR OWN BUSINESS / FINANCE AND THE FAMILY

THE BUDGET AND YOU

On Tuesday, the chancellor announced a string of measures that will help smaller businesses. Richard Gourlay assesses the changes

An early Christmas

It was greeted as the "best budget for small businesses in years" and "strong recognition of the problems that small businesses and women face."

When Kenneth Clarke sat down after the first unified budget, there was little doubt that the small business community had enjoyed an early Christmas feast. Accountants, chambers of commerce and a host of lobby groups said almost all the headlines had been accommodated.

True, the chancellor did little with capital allowances to stimulate investment in a direct fashion. And there was no joy for those calling for a subsidised loan scheme for small companies.

But there was much for small businesses to applaud, from measures to raise fresh equity for unquoted companies, moves to curb the late payment of debts and an assault on the paper work that can bury an entrepreneur.

After many years of lobbying, legislation to bring in a statutory right to interest on overdue debts is on the horizon. Or is it?

The chancellor could hardly have sounded more supportive of legislation. But almost before he had sat down the Department of Trade and Industry stressed that legislation was only one option.

Weaker proposals, including the voluntary approach which many business groups say has completely failed would be considered during a four-month consultation period.

The Forum for Private Businesses says that at any one time small businesses are owed more than £50bn in overdue debts. This depresses cash flow for many companies struggling to raise funds from

reluctant banks. The constant chasing of debts is also a drain on management time.

But there are problems with legislation. The most fundamental is that it would not alter the balance of power between small suppliers and large customers. It would take a very gutsy supplier to pursue claims through the courts.

Forcing companies to reveal the how much they were delaying payments might provide some form of moral suasion. Allowing suppliers to accrue interest and charge it, say when they ceased supplying a company, might add to the smaller business's armoury.

Ultimately smaller businesses might be best served by the publicity that late payment receives. "Legislation would provide something of a culture change in payment practices," said Richard Brown of the British Chambers of Commerce.

Small businesses will immediately benefit from modifications to the uniform business rate. Many properties in England and Wales are still covered by transitional relief to the higher rates that emerged from introduction of the UBR in 1990. The chancellor has halved the maximum increase in that increase. Owners of large properties will next year pay a maximum 10 per cent increase in their rates bill, where previously they were facing a 20 per cent increase; the rise for smaller businesses will be 7.5 per cent.

The relief is only temporary. Small businesses in the north of England will be aware that they will bear a greater proportion of the total business rates burden after the next property revaluation in April 1995 because of the relative fall in property values in the south.

The chancellor also gave an



early Christmas to about 30,000 smaller companies. He has lifted the profits threshold below which the smaller company corporation tax rate of 25 per cent applies from £50,000 to £300,000. He has also widened the hand for paying a marginal rate of 35 per cent to companies with profits between £300,000 and £1.5m. Above this the full rate remains at 33 per cent.

The chancellor also cut employers' national insurance contributions by one percentage point for staff earning less than £200 a week. The main rate fell 0.2 percentage points. One of the more notorious loopholes, however, has been closed. Companies will no longer be able to pay bonuses in kind and avoid NI contributions and PAYE.

On sickness pay, smaller companies were also picked

out for favourable treatment. The chancellor raised the level for full reimbursement of statutory sickness pay to cover companies paying £20,000 in national insurance bills. Previously the cut-off was £15,000. Companies will also be repaid within four weeks instead of the current six weeks.

About 500,000 companies will be freed from the annual grind of preparing for a full audit. Companies with sales below £200,000 will no longer be required to produce any external verification of their accounts. The chancellor said that most companies with sales between £90,000 and £250,000 will only need an independent accountants report. However, banks are likely to remain as anxious as ever to have independent verification of their clients' financial affairs before lending.

The chancellor's most significant innovation for small businesses was designed to entice equity capital into unquoted companies. The small business lobby has long argued that people are discouraged from taking the greater risk of investing in unquoted companies because of the tax system. The chancellor went some way towards redressing that imbalance.

First, he extended capital gains tax re-investment relief to cover gains made from any source that are re-invested in unquoted companies. This means a private investor with publicly quoted shares, or a manager with share options, can sell his or her investment

and pay no CGT if the capital gain is reinvested in an unquoted company. This measure goes much further than the roll-over relief introduced in the March budget.

Secondly, the chancellor has replaced the business expansion scheme with an enterprise investment scheme, which will allow investment in unquoted trading companies from January 1. The maximum any company can raise has been increased from £750,000 to £1m and any individual's investment from £40,000 to £100,000. The companies have to be trading - assured tenancy property companies, which gave the BES such a bad name - are excluded.

If the BES is anything to go

Freed from VAT

Potentially the most immediate benefit for smaller companies from the Budget is the change to the rules governing VAT registration. By raising the threshold from companies with sales of £37,000 to £45,000 with immediate effect, the chancellor says some 75,000 companies will no longer need to register. This threshold has almost doubled over the last three years, removing a raft of companies from a net believed to be earning the Customs and Excise little or nothing.

"This relieves an awful administrative burden and makes smaller companies more competitive with larger companies," says Richard Brown, deputy director-general of the British Chambers of Commerce. But business owners would be well advised to hurry slowly before celebrating by burning VAT returns.

The first danger is that a business's sales may unexpectedly jump above the registration threshold. A business would have stopped charging VAT once it de-registered. But once the threshold was

breached, Customs and Excise could assume VAT had been charged on all cash received by the business and might demand repayment, said Loughlin Hickey, partner at KPMG Tax Advisers. Before de-registering, businesses should consider with their accountants where sales are likely to be in the medium term.

There is another consideration. While filling in VAT forms is a harrowing experience, businesses may be enjoying an indirect benefit. "One of the disciplines of VAT is it makes people keep accurate records," says Hickey.

These might become increasingly important given the move towards self-assessment of income tax. From 1996, individual taxpayers will have to calculate their own tax liability. Many smaller businesses which are unincorporated and with sales below the VAT threshold will also have to adopt self-assessment. The Inland Revenue will almost certainly make sporadic audits of individuals who will, therefore, need good records to support what they have declared.

A lure for equity capital

hy, the financial services industry will already be looking for loopholes. But the BES seems better targeted, says Loughlin Hickey of KPMG. By limiting the up-front tax relief to 20 per cent, it puts more pressure on the investor to pay to perform with 40 per cent up-front relief under the BES, most of the return was secured by the low initial net cost.

Investors will also be able to write off losses on the sale of unquoted shares against either income or capital gains tax relief. This should make investors less risk averse.

This measure has excited business angels, who could become a more important source not only of equity capital

but of expertise. "These are the most attractive and appropriate incentives given to business angels and entrepreneurs," says Hamish Stevenson, director at Venture Capital Report, the UK's most established marriage bureau for businesses and business angels. "Investors can now be paid directors and contribute their much needed expertise as well as hard cash."

Thirdly, the new venture capital trusts will allow private investors who may not want to invest in a single BES to invest in a portfolio of unquoted trading companies. The government will issue a consultation paper in the new year and promises details in the 1995 finance bill.

Profit-related pay

Loopholes go, lures stay

Kenneth Clarke's Budget speech might have been expected to reflect satisfaction at the success of the government's profit-related pay (PRP) legislation. Instead, he joined the sceptics who believe too many companies are introducing PRP to grab the tax relief on offer and not to create a genuine link between wages and profits. But while Clarke has now blocked two of the more blatant loopholes, PRP's tax-saving charms remain largely intact.

PRP is pay which varies in line with changes in the profits of the employer's business. It is usually calculated by applying a specific percentage to the company's profits; this amount will be the PRP "pool." PRP paid under a scheme registered with the Inland Revenue is tax-free up to a limit of 20 per cent of salary or, if less, £4,000. Hence, a 40 per cent taxpayer can reduce his tax bill by up to £1,600 a year while someone only taxed at the basic rate will have a maximum benefit of £1,000.

Any rational employer will welcome the chance to help staff to pay less tax; indeed, some may even hope to split the gain with their workers by, for example, using PRP as a justification for a wage freeze. At the same time, few compa-

nies - or, for that matter, employees - relish the uncertainty inherent in a genuine pay/profits link.

So, for the past few years, tax advisers have been reeking their brains to devise PRP schemes which combine tax efficiency with predictability. But one type, which possessed both qualities in full measure, was killed off by the Budget.

It exploited the fact that an employer can impose an upper limit on the percentage of its

profits which are to be taken into account for PRP purposes. The lowest limit which can be set is 100 per cent of profits in the previous year. Hence, a company which earned profits of £200,000 in the year before it started PRP could stipulate that, if it earned more than £200,000 in its PRP year, the profits above £200,000 would be disregarded. This upper limit is a sensible way to protect a company against freak results.

In the wrong hands, however, it has been used for more devious purposes.

The trick is for an employer to persuade staff to sacrifice part of their salary in return

for PRP. If payroll costs are significant in relation to profits, then the salary reductions will give a considerable boost to the bottom line. If it is clear that, as a result, profits will rise by more than 60 per cent, the company can rest assured that the figure to be used for calculating the PRP pool will be 160 per cent of the previous year's profits.

Armed with this information, the employer will be able to calculate the PRP percent-

'Any rational employer will welcome the chance to help staff pay less tax'

age that will produce precisely the amount of PRP it wishes to pay out. And the employees, knowing how much PRP they will get, should have no qualms about a wage cut.

The chancellor has now ruined this device by legislating that where a company's payroll costs are lower in its PRP year than in the preceding year, the 60 per cent threshold will be pushed up so as to negate the impact of the fall in salaries.

Apart from the need for a genuine link with profits, the other main strand of the government's PRP philosophy is that the benefits should be

shared out between employees on an equitable basis. Payments *pro rata* to salary are acceptable - but not a scheme in which higher-paid staff receive more than they should.

Companies have been flouting this egalitarian ethos by exploiting the concessions granted to "special schemes." These are schemes which include employees of only part of a business but use the profits of the whole enterprise when calculating PRP.

Without such a concession, companies wanting to set up separate schemes for each constituent part of the business would be unable to include the "non-productive" units. In practice, however, companies have exploited the special scheme rules in order to pay disproportionately large amounts of PRP to a favoured group of employees, such as headquarters staff.

Clarke has blown the whistle on this type of discrimination. From now on, the ratio of PRP to payroll in a special scheme must be no higher than the equivalent ratio for the rest of the company's work force.

David Cohen

David Cohen is a partner in the City law firm of Paines & Co.

Funded unapproved retirement benefit schemes

Offshore perks curbed

The Budget dealt a blow to an increasingly popular offshore pension scheme that has allowed high earners to build substantial tax-free cash lump sums.

Over the past five years, certain executives have been building contributions of over £50,000 a year to offshore trust funds now thought to be worth about £50m. These trusts, known as offshore Furbes (funded unapproved retirement benefit schemes), were an innovative response to the 1989 Budget clampdown on pension tax benefits for high earners.

The latest Budget measure will affect all new offshore Furbes, but existing arrangements will still be able to retain their attractive tax benefits - providing the rules of

the schemes are not altered. Furbes were designed to top up pensions for employees caught by the "earnings cap," now £7,000 but rising to £78,800 for the 1994/95 tax year.

The cap affects members of company pension schemes set up after the 1989 Budget and members who joined any company scheme after June 1, 1989. For these employees, the maximum contributions to inland Revenue-approved pension schemes for this tax year are limited to £11,250 (15 per cent of £75,000), while the maximum pension is £50,000 (two-thirds of the cap).

Furbes are company schemes recognised by the Revenue but "unapproved" for tax purposes. Those set up in the UK do not qualify for tax relief on contributions or tax-free roll-up of

the fund, both of which are standard reliefs on "approved" schemes.

Benefits taken in the form of pensions are taxed, although only at 25 per cent. Lump sums can be paid tax-free and, for tax reasons, most Furbes have been set up to provide benefits in this form. Death-in-service benefits can be paid under discretionary trusts and, therefore, free of inheritance tax (IHT). Since Furbes are unapproved, there is no limit on contributions or benefits.

Until the latest Budget, offshore Furbes offered all these advantages, but with the added attraction that little or no income and capital gains tax was paid on the fund. This resulted in a much larger lump sum on retirement than would have been available under an

onshore Furbe, which does not enjoy tax-free roll-up.

The Budget has scuppered this offshore strategy. The lump sum that is taken from any Furbe established after November 30 will be taxed at the employee's top rate. The tax will be charged on the difference between total contributions paid in and the total fund that emerges at retirement. In this way, the chancellor will bring lump sum payments from offshore Furbes in line with those onshore.

Neil Campbell, manager of pensions consultant Brown Barnett Waddingham, said: "There is no doubt that the chancellor has wiped out the main purpose of offshore Furbes."

Debbie Harrison

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IN THE MATTER OF THE COMPANIES ACT 1985 NOTICE IS HEREBY GIVEN that a Petition was on (20th November 1993) presented to the Master of the High Court of Justice for the continuation of the resolution of the share capital of the above-named Company from £75,000,000 divided into 5,000,000 Ordinary Shares of £1 each and 6,700,000 Redeemable Shares of £1 each to £11,112,000 divided into 5,000,000 Ordinary Shares of £1 each and 6,112,000 Redeemable Shares of £1 each. AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before Mr Registrar Buckley at the Royal Courts of Justice, Strand, London WC2A 2LL on Monday 13th December 1993. ANY CREDITOR or shareholder of the said Company desiring to oppose the making of an Order for the continuation of the said reduction of the share capital should appear at the time of the hearing in person or by Counsel for that purpose. A copy of the said Petition will be furnished to any such person requesting the same by the undersigned solicitors on payment of the regulated charge for the same. Dated the 20th day of November 1993. ASHURST MORRIS & PIPER Broadwalk House 5 Appold Street London EC2A 2DA Solicitors for the said Company

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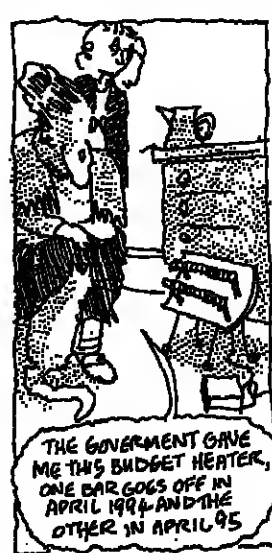
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THE BUDGET AND YOU

Clarke's mixed bag

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escaped from its slough or despond a year ago when foreign buyers, seeing how affordable good properties had become, began to buy. But too few houses and flats are for sale in central London to satisfy the would-be purchasers, many of whom are, by now, British.

In the past 12 months, the agent Aylesford has sold many properties, 15 of them with an aggregate value of £40m.

Demand is strong for houses

house section has been £1.4m. For large family flats, preferably in Eaton Square, Cadogan Square or Onslow Square, buyers expect to pay more than £500,000. Lessmans, another agent, finds that foreigners look to Belgravia, Mayfair, St James's and "the better parts of South Kensington."

Flats must be in tip-top condition to attract buyers from Hong Kong and elsewhere in the Far East who want their

Astonishing it might be, but Eilean Algas, the island in the middle of the Beaulieu river in Inverness-shire which came on market in the summer, has not sold. Savills (031-226 6961) has now reduced the price 25 per cent and invites offers over £600,000. That buys a 60-acre island idyll (*ET*, July 10) the

Share transfer query

Q&A

Holiday flat rental

hisk and 35.5 acres) On Thursday, that will be the last item in an auction at Thornhill Park, near Sherborne, Dorset. Sir James Thornhill, architect of Moor Park in Hertfordshire and painter of the great hall at Blenheim Palace, designed this grade II* house (not one) in 1730 and put up the obelisk (grade II) to honour the marriage of George II and Queen Caroline. The guide price for the house is £350,000, and

\$45,000 for the obelisk and land. The other lots are cottages and land. The agents are Michael de Pelet (0935-81236), Symouds and Sampson (0305-264172) and Knight Frank & Rutley (071-629-8171).

Miras: just when will it all end?

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Car of the Year/Stuart Marshall

Why the Mondeo triumphed

In a tight finish, Ford just managed to snatch the laurels from Citroën

In a fighting finish, Ford's Mondeo pipped the Citroën Xantia at the post to become Car of the Year 1994. It was far from being a two-horse race - there were 15 runners - but Mondeo or Xantia simply had to win.

Two months ago, I forecast the Xantia would win narrowly. I thought it would gain the crucial extra votes because its self-leveling suspension gave it even better ride and handling than the Ford, and rear seat passengers had more room. Also, its urban turbo-diesel version had appeared in mid-summer while the Mondeo TD still waited in the wings.

Had I driven the Mondeo turbo-diesel when I made my forecast, I might have put it a whisker ahead of the Xantia. It really is that good, as I discovered when I drove one last month.

Why did the Mondeo win, with 290 votes from the jury of 58 European motoring writers against the Xantia's 264? Mainly because 19 of

the jury made it their first choice compared with nine for the Xantia. I believe there were two other reasons for this. One is that the Mondeo comes with crash-protecting airbags, which the Xantia does not get until next year. The second is that a complete range of Mondeo saloons, hatchbacks and estate cars is on offer whereas the Xantia comes only as a hatchback for now.

The fact that a PSA (Citroën-Peugeot) product had been chosen Car of the Year five times in the past 24 years, while Ford had won only twice, could also have had some influence, but Citroën will be

disappointed. Three years ago, its class-leading ZX small/medium car was passed over in favour of the VW Golf MkIII and Vauxhall (Opel) Astra. At the time, it was said part of the reason was because the French had been winning too often to suit some of the jury.

The Mercedes-Benz C-Class, successor to the 190, was a good third this year with 192 votes while the Opel (Vauxhall) Corsa ran the C-Class close, coming fourth with 183. I had thought the Renault Twingo could have been third behind the Mondeo and Xantia but, in the event, it finished fifth (174),

well ahead of the Peugeot 306 (106). Sadly, Renault seems to have decided against ever making the Twingo in right-hand drive. Perhaps one of the many British who admire small, cheap and practical French cars will hand Renault before the Court of Human Rights in Strasbourg.

The C-Class is everything one expects from a Mercedes-Benz and has established itself already as the benchmark car in the compact executive class. It is marginally larger, considerably roomier and more sophisticated mechanically than the 190; even the diesel score

a world first with four valves a cylinder. In Britain, it is priced little higher than the 190 equivalents. Fleet management companies forecast low rates of depreciation that will make it cheaper to run over three or four years than rival cars that cost less to buy.

Saab's 900 (seventh with 87 votes) did not make as strong a mid-field challenge as I had expected; I thought it would have been closer behind the C-Class. But the Seat Ibiza, as I forecast, was the best of the also-rans, attracting 64 votes. This was almost double the Rover 600's score (33) and practi-

cally three times that of the Honda Accord (28), with which the Rover shares mechanicals.

After that, a single European car (Lancia Delta) and a bedraggled bunch of Far Eastern products limped over the finish, by which time the winners were already in the unsaddling enclosure.

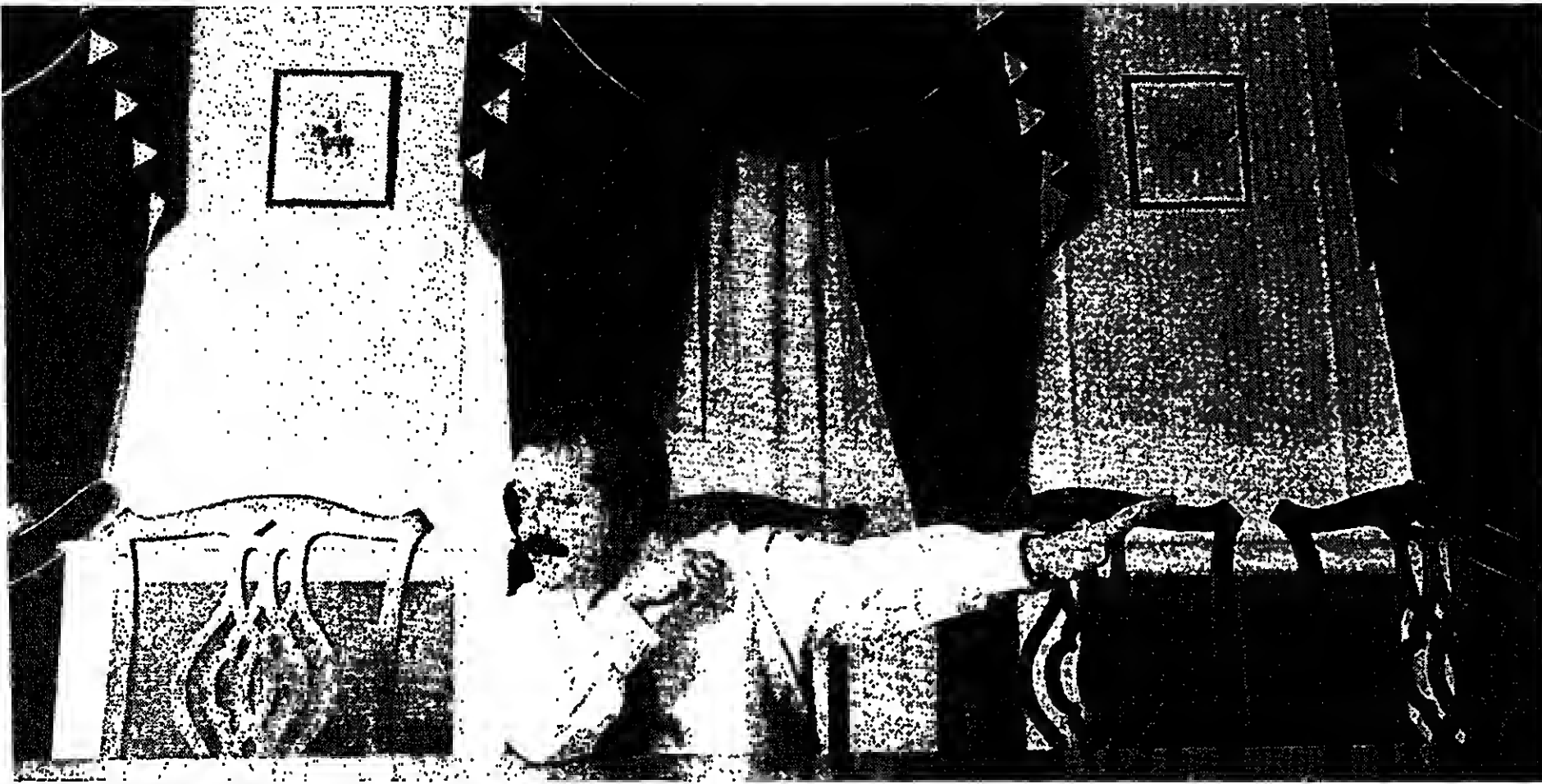
What does the award mean to a deservedly jubilant Ford? It will be worth millions of pounds in free advertising and set the seal of success on the best new product it has launched in years. Winning Car of the Year has only a short-term effect on sales of a poor car - and

Car of the year

How the jury voted

1 Ford Mondeo	290
2 Citroën Xantia	264
3 Mercedes-Benz C-Class	192
4 Vauxhall (Opel) Corsa	183
5 Renault Twingo	174
6 Peugeot 306	106
7 Saab 900	87
8 Seat Ibiza	64
9 Rover 600	33
10 Honda Accord	28
11 Lancia Delta and Mitsubishi Galant	11
12 Hyundai Impreza	2
13 Daihatsu Charade	1
14 Nissan Serena	0

some duds have picked up the award in the past. But when a winner is as good as Mondeo, sales graphs will keep climbing long after the celebration is over.



Learning the ropes: Panos Eliades, an accountant, has found the sums in boxing add up

Boxing/Keith Wheatley

Man who counts the champ's cash

Three years ago Panos Eliades had never been at a boxing match. Two years ago the Greek-Cypriot accountant would never have dreamt of flying to Las Vegas to watch Evander Holyfield regain the world heavyweight title from Riddick Bowe. Last month Eliades solemnly batted an eyelid when a detached parachutist missed him by inches and landed in the ring during the Caesar's Palace title fight.

After a couple of years as the hawker and financial manager of World Boxing Council heavyweight champion Lennox Lewis, almost nothing surprises a man whose day-to-day business as one of London's biggest insolvency practitioners makes him not unfamiliar with human vices.

"My accountancy colleagues couldn't believe I'd ended up being involved with boxing. You've normally got to be a semi-hooligan cum ruffian to have the credentials to be a boxing promoter," chuckled Eliades in the partnership's offices, an elegant Bloomsbury townhouse.

However unconventional his hobby, like the rest of his profession, Eliades can add up. He is deep in negotiations to mount a Holyfield-Lewis fight next spring. It would be a heavyweight watershed, uniting the World Boxing Association and International Boxing Federation belts held by Holyfield with the WBC crown held by Lewis.

It has the potential to be the richest bout in boxing's history. In sporting dollars it is a Superbowl. MGM are pitching hard for the fight to mark the March opening of its new hotel/casino complex. Its gaming area, wider than a 15-lane highway, will be the biggest in Las Vegas, and is expected to gross \$300m (£295m) in the first year of operation.

"The Unification fight could be worth as much as \$54m," calculated Eliades. The final values will depend on pay-per-view income from the HBO cable TV network, but Lewis would be guaranteed \$10m, with Holyfield earning 50 per cent more.

As a co-promoter Eliades would be looking for a profit on the event and, as manager, 30 per cent of Lewis's purse - before expenses such as training camp, air fares and hotel bills. "Don't just look at one fight. There could be three in a year and then you're looking at \$15m annual gross profit which is good for any small business," Eliades enthused. "The figures in boxing are just enormous."

"Tyson is coming out of jail in 18 months. If Lennox can fight him whilst holding three belts, it will be the biggest ever... \$100m. Even the nuns will watch that one."

Of course, one of the fascinations of boxing is the difficulty of getting even the most obviously desirable fight to the ring. Before the Holyfield/Bowe fight could happen a contender

named Michael Moorer with a contract to fight Holyfield had to be paid \$1.5m to step aside. It could cost twice that to make Moorer step aside a second time.

There is also the sub-plot of one Michael Bentt. A first-round straight right to the jaw of Tommy Morrison on an October night in Tulsa earned Bentt the cardboard crown of the World Boxing Organisation's heavyweight title. Bentt was born in the south London suburb of Dulwich before moving to Jamaica aged six.

With Lewis being British-born and London-based, the tabloid sports pages will soon be shrieking for an all-British "unification fight". After not having heavyweight champion for a century, the land of the Marquess of Queensberry now has two.

The painstaking human embroidery of making the deals is down to Eliades. "A lot of boxing deals are never completed because the ego of the individual gets in the way. They are unqualified megalomaniacs," he said, with the disarming frankness which has made him a breath of fresh air in boxing.

"There are disc jockeys acting as boxing promoters. I work on a band-shake. People in the fight game say I'm mad. In boxing you can't even rely on a contract, let alone a handshake."

How, then, did such an innocent abroad find himself in such a posi-

tion? As Eliades himself agrees, one has more chances of being struck by lightning than of "owning" a British world heavyweight champion.

Lewis was brought to Britain from his then home in Canada under an arrangement and contract instigated by financier Roger Levitt, recently convicted of a multi-million pound City fraud. Eliades was a neighbour and business acquaintance of Levitt. "Levitt is one of the greatest salesmen you could find. Sand to the Arabs. I knew nothing about boxing. I'd never been to a fight. I wouldn't recommend it as a business venture to any client of mine and I didn't want to buy the contract. But I did, as a favour to Roger, who desperately needed out."

Eliades calculated his initial exposure at £200,000. By the time Lewis fought Razor Ruddock at Earls Court a year ago, the sum had swelled to £1.6m. "I'll never forget it when Lennox knocked him out in the second round. I knew we were on the road to financial recovery," he said.

"Being a liquidator/receiver, my job is to be pessimistic, not optimistic. I'm pleased to recover my outlay. Profit doesn't usually come into it. With hindsight it's been a fantastic investment but somebody out there must like me to let it turn out like this."

The boxer and the accountant make an unlikely pair, not least because

Lewis is a foot taller than the diminutive Eliades. But it seems to work. "We he steps out of line, he gets a slapping," confides Eliades, tongue in cheek. "Being world heavyweight champion sometimes he wants things done yesterday, but he's only a normal human being as far as I'm concerned."

"All this yes-champ, no-champ is the end. It did for Tyson and a lot of others in the past. When you earn \$10m in one night it's easy to start drifting away from reality."

One project the pair are committed to is a commercially-funded and run London school for inner-city teenagers who have been in trouble with police and other authorities. Team Solo will have pupils' fees paid by local authorities. Lewis hopes to spend around a day a week at the Hackney premises, which open next spring.

"We hope to make money from it but that's far from the only reason," said Eliades. "Most of these kids in trouble are black and many lack any kind of role model. Lennox hopes to provide that."

If he makes it past Holyfield next spring, Lennox Lewis will be in many ways a unique world heavyweight champion. British, preferring chess to night clubs, takes his mum to training camp with him, and a manager whose cheque arrives on time. Boxing will never be the same again.

Football/Peter Berlin

In the image of the boss

One of the oddest aspects of this season's English Premier League has been the tug-of-war for the division's more entertaining teams. Newcastle United and Tottenham Hotspur.

In recent weeks, as Newcastle swept Liverpool aside 3-0 and lost 2-1 at Arsenal, the former Liverpool players who throng English television's commentary boxes have been eagerly bestowing their ultimate compliment: comparing the team Kevin Keegan has built to the Liverpool side he and they played in.

Those who have seen the old Liverpool and the new Newcastle in training say Keegan has duplicated the methods of Bill Shankly and Bob Paisley, his managers at Anfield.

But Newcastle differ from the great Liverpool sides of the 1970s and 1980s. In particular they lack the physical presence of those teams. Keegan has assembled a side of quick-witted, hard-working nimble players. Newcastle are not modelled on Liverpool, but on Keegan himself.

Keegan is not alone in producing a team in his own image. Osvaldo Ardiles returned to Tottenham Hotspur as manager this year to take over a team already built around the playmaking of Vinny Samways, a man who learns his craft while Ardiles was still a Spurs player. At times on Wednesday night when Spurs ambushed Blackburn Rovers in the Coca Cola Cup, Samways looked alarmingly like a lesser Ardiles, short, dark, arms bowed, skipping past tacklers with short choppy strides, clipping most little passes.

But Ardiles has not been content with one little general. He has found a place for young Darren Caskey and completed a petite midfield trio by buying Mickey Hazard, another Spurs protégé of his. The Tottenham midfield can provide the disconcerting illusion of a swarm of Ardiles imitators huzzing about their business.

Yet playing style is an unreliable predictor of management style. Many great players are simply bad managers. Others find it difficult to recreate their style with lesser players. Glenn Hoddle's attempt to build an elegant passing team in his own image with the squad of clodhoppers he inherited at Chelsea borders on the dogmatic. So far the team has dived into the relegation zone while Hoddle's stock has risen. His dedication to "pure" football has made him a popular candidate for the position of England manager.

There also the managers who confound expectations. As a player Don Revie redefined the role of the English centre-forward, lying deep and creating, rather than scoring, goals. The Leeds team he managed could play creative football but regarded it as a last resort once more abrasive methods had failed. Brian Clough was the archetypal English bulldozer centre-forward and yet his teams were built on guile and ground passing.

Nobody epitomises this paradox better than George Graham. In his playing days, Graham was nicknamed "stroller". He brought a touch of elegance

to Arsenal's much-criticised double-winning team of 1971. No-one would dare stroll while playing for Graham. Gravely work rate and collected centre-halves. The result is two league championships and three cups and a team that, while it contains little of Graham's personality as a player, is as true to the traditions of his club as Ardiles is at Tottenham. Gerry Francis at Queen's Park Rangers and Billy Bonds at West Ham.

The only current manager who can surpass Graham's success, Kenny Dalglish, remains an enigma. His detractors argue that he was lucky to start his management career by inheriting the best side in Europe and that he kept the team at the peak for six years simply by waving a Liverpool shirt and Liverpool's cheque book at the players he wanted.

And yet, as his successors have found, life is not quite so simple. Dalglish bought John Barnes and Peter Beardsley and few Paul Stewarts or Istvan Kozman. He has continued to buy well at Blackburn.

At White Hart Lane on Wednesday the team he has built looked, as it always does, like another collection of enthusiastic Premier League trundlers. The secret to Dalglish's thinking lies in his cheque book. He has started to spend Jack Walker's money he bought enough £1m attackers to make two-and-a-half forward lines at most clubs, and only then did he start spending comparable sums on other, defensive, positions. The message is clear: the creative responsibility falls on the attackers. This is, then, a team built in the manager's image.

Dalglish is not alone in feeling comfortable spending money. Graeme Souness, of Liverpool, and Trevor Francis, at Sheffield Wednesday, were among the first generation of British chequebook players, now they are chequebook managers. As players both enjoyed success as high-priced hired guns at Liverpool and Nottingham Forest, before capping careers dotted with costly transfers in Italy. For both, the first instinct when faced with a problem seems to be: buy an established international. It is a reliable way to build a good team but makes it difficult to create the distinctive personality of a great one.

Managers who were mediocre players are not prisoners of their past. Howard Wilkinson was a winger whose playing career peaked with 22 first division games. As a manager he took cash-strapped Wednesday from the third to the first division with simple assault course football. At Leeds he built a championship team around the delicate midfield play of Gordon Strachan and Gary McAllister. Wilkinson can simply manage according to his resources.

Golf/Patricia Davies

Overwhelmed in Japan

Masters and the Dunlop Phoenix tournaments recently, tied for third place one week and second the next, winning more than ¥16.5m (£104,000) and found himself 66th on the Japanese money list.

If Lane had won the Dunlop, as Ernie Els of South Africa did, he would have zoomed to 29th place by virtue of a cheque of ¥36m, or £225,000, which would have been good enough for a place in the top 20 of the final the Volvo European order

of merit or \$337,000, which would have brought 45th on the end-of-season US money list. On the course, everything was immaculate and recognisable but different. Every hole has two greens, one of best grass and one of tifton, for use at different times of the growing season. Every time a divot is taken, a woman in a uniform that includes a straw hat swathed in an enormous white scarf scurries from the sidelines to fill it in. Another of her like will rake the

hunkers after the players or, at some courses, sweep the sand with an old-fashioned broomstick, crumpling below the rim of the bunker for fear of disturbing the golfers.

The local caddies are all women. They sport caps with a duck bill a playpus would kill for and scuttle along pulling a trolley, always keeping up, always on hand to soothe their charges.

Just as the caddies are unique, so are the crowds. They are appreciative

of the foreign players, especially the big hitters, but only become really animated when it looks as though a Japanese might win. Jumbo Ozaki is their hero and he milks each occasion for all it is worth, with theatrical gestures and reactions that are quite the opposite of inscrutable.

Jumbo is immensely quotable and is always likely to attribute some misfortune, such as a double bogey, to an evil spirit lurking at the hole where the offence occurred. He is also big business and seems to clothe half the spectators at a big event. Jackets are quite a feature at Japanese tournaments and Ozaki's slogan, written like most of them in English, ranks with the best. "Jumbo aims at professional activity with never-ending spirit," it reads.

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GARDENING / PERSPECTIVES

Boxing: a noble art that costs the earth

Robin Lane Fox braves chill winds in pursuit of green formality among the designer vegetables. His bank manager is interested, too

I have just had a personal boxing day and it has not exactly been cheap. In the cold winds, I have been planting rivers of green box bushes, which are intended to curl round each other and look suitably smart.

You all know those handsome pictures in which evergreen hedges make patterns among the designer vegetables and owners can spell out their initials in monograms of green leaves. I have yet to choose my monogram, but I think that we forget what they cost. Box prices now start at £150 a 100, and the plants for a low hedge are supposed to go in at intervals of six inches or less.

The rectangular outline to a moderate bed will cost £200 unless, like me, you economise on the spacing and exercise your patience. Remember the price tag when next you see a television long shot of somebody's box-edged potager inside an old brick wall.

In the 1960s, big gardens were throwing old box away by the yard: people believed it harboured snails and hindweed and required too many hours from full-time gardeners. As a result, artful growers acquired some spectacular assets. They realised that box will recover even if it is old and looking lanky.

Old box is supremely willing to regenerate. Indeed, like donkeys, box trees never seem to die unless dogs cock their legs continually against them. If anyone offers you a leggy box hedge, capitalise on their ignorance and take it before they read this column.

At today's prices, what would be the value of all the box at Italy's Villa Lante or France's Villandry, historic gardens which sit on unpeppable assets? Since the 1960s, we have all forgotten the snails and hindweed and have been hurrying to bring box back.

For some while, Roy Strong, former supremo of the Victoria and Albert Museum who runs his own considerable country garden, has been championing the movement away from flowers and back to axial green formality, a ground note too, for distinguished designers like David Hicks. I like flowers, because I can grow them - but I also like green frames which look wonderfully neat and obedient soon after planting.

If the cost is too much, what can you do? You have two options, unless you have good friends. One is to take cuttings from the young shoots of someone's box plants early in summer; set them in sandy trenches in semi-shade; keep them watered; and transplant them to good soil during the following year. After another three years, you will have good bushes for a new hedge and, although the delay is a



The garden at Villandry in France... at today's prices, what would be the value of all the box?

Dorian Ogden / The World Heritage of Gardens

nuisance, I do promise that box cuttings will root with remarkable ease.

If you are planning a big box venture but find the prices in garden centres ruinous, you should investigate the specialist growers in Belgium or Holland who now raise most of the box which UK nurserymen import and then sell on to us at higher prices. Indeed, if you need

a large quantity, take a ferry over to Belgium and do a deal with a specialist, who will supply you by the thousand.

Despite the horrible wind from the east, I have enjoyed planting well-rooted boxes of three and four years old. They look stylish from the start and allow you to weave knots, spell messages, or outline a scene in green mosaic. They are

probably very healthy. Box, says my handbook of 1620, is very good for the flux, or French disease. In those days, it meant more than high interest rates in Paris.

Over the years, I have learned a few box tricks which are not always explained. My favourite use of box is as a green skirt or pedestal for a statue or urn, raised on a hidden plinth of concrete blocks. The green

box skirt hides the cheap plinth and heightens the impact of the ornament: the trick starts at you from the best historic gardens in Italy. When the box has covered the plinth, you clip it flat: big pots can emerge from a high skirt, which is clipped into two levels, like a green step.

You should use the bigger box, *Buxus sempervirens*, for these skirts

and allow five years for it to mature. You will need more plants than you expect - but they add value to a flower-pot, which can be cheaper in such a bold setting.

The correct edging for vegetables and low knots is *Buxus suffruticosa*. Be warned that its roots will run sideways among flowers and vegetables and should be cut back yearly with a sharp spade or edger to pre-

vent them from exhausting the adjoining soil. You should clip the leaves late in spring or summer rather than late autumn when they look most in need of trimming. Late cutting can cause brown patches, which are exacerbated by snow and wet in hard winters.

Old books from the 18th and 17th centuries are still the best source of knot patterns in which box bushes are twisted into the outlines of a tapestry. Rosemary Verey is an experienced box planter who also supplied me with my bushes: her new book, *Garden Plans* (Frances Lincoln, £18.99), shows the patterns which she adapted from an old design for the courtyard of Orchard House, the garden of which opens to the public in the scenic Cotswolds village of Broadway. I am sure that she would agree on my cardinal point: before you pirate an old plan for a knot, be sure that you have allowed enough room on the ground.

The besetting sin of most modern imitations is that they cram an intricate design into too small a space. They confuse the eye and are not easy to plant; the box develops into a fuzzy confusion. It is much better to simplify and suit the complexity to the space available.

Verey recommends designs from various Jacobean sources, from Gervase Markham in 1616 or the books of a gardening clergyman, William Lawson, which were published in 1617 and 1618. I have also been helped by the geometric drawings in John Parkinson's *Paradisus*, published in 1629. These old books have mostly been reprinted later and are more readily available from libraries.

I do, however, have a final thought for a small courtyard. In the 1960s, designer Russell Page published a self-assured book, *The Education of A Gardener*, which has a beguiling picture of the Gothic window of a Berkshire cottage opening out onto beds criss-crossed with frames of green box in the courtyard below.

The pattern here picks up a pattern in the window frames, but why not echo them exactly in a frame of green box on a terrace outside the house? Any shape can be framed in a surrounding rectangle, and the result would tie the house and garden together with a pretty style for a small space without grass.

Nowadays, philistines try to force those awful plastic replacement windows on the planners by arguing that they are "friendly to the Amazon rain forests." Outflank them by planting a green window horizontally on the surface of the garden, made from a truly green material with a style that will outlive us all.

After 45 years, the band still plays on

Kieran Cooke in Penang hears echoes from another era

Recall, or imagine, 1948. The year of the Berlin airlift. Mao Zedong was sweeping through China. There was a great fog in Britain. A notice was pinned to the railings of Buckingham Palace announcing the birth of Prince Charles. And Albert Yeoh joined a band.

Albert has been ticking the ivories at the venerable old Eastern and Oriental Hotel in Penang, Malaysia, ever since. Only a very rare night off. Never missed a Christmas or New Year. Albert and his band are probably the most endur-

ing musical group east of Suez.

Albert is now a slim and trim 65-year-old, without a grey hair on his head. "We pride ourselves on our repertoire. We can play virtually every tune there is," he says. "The girls can sing in various languages - from Finnish to Korean, Polish to Malay."

The "girls" are Albert's wife, Nancy, and her old school friend, Daisy Chua. They have been with the band at the Eastern and Oriental - known as "the E&O" to generations of Asia travellers - for more than 20 years. In their



Albert Yeoh and his 'girls'... the most enduring musical group east of Suez

sequined dresses, they look like a million dollars.

They harmonise their way through *My Wild Irish Rose* and follow it with *When Irish Eyes are Smiling*. Nancy and Daisy would have the hands clapping and the tears flowing in many a lounge bar back home.

A group of Japanese businessmen asks for some obscure favourite from Hokkaido. No problem. Nancy whispers her way faultlessly through the song. Then, with infinite grace, she persuades two of the Japanese on to the stage. They croon, rather unsteadily, with her. The audience - some drinkers and a larger crowd of well-behaved drinkers - love it.

Listen carefully and you can still hear the echoes of another age at the E&O. Rubber planters in town for a bit of light relief, laughing uproariously at jokes, sleeping sun-tanned thighs and becoming a trifle squiffy. Colonial officers with their sternly-brushed hair and crumpled white suits, their canes tapping along the tiled floor.

The front of the hotel faces Georgetown, old Penang town. The back looks on to the Straits of Malacca and the Andaman Sea. When the E&O opened in the 1880s, it boasted the longest sea front of any hotel in the world - 842ft of it. Klipping, Manganham and Coward, sensible travellers that

they were, all "put up" at the E&O at one time or another.

"We used to play all night in the old days," says Albert. "There would be St George's night, St Patrick's - all of them. We'd play the Dashing White Sergeant, reels and jigs. And people were always dressed in their best. Back then, the E&O was the only place to be."

It is not much different at Christmas and New Year these days. While there are few sartorial rules, people still turn up in their dickie bows and feather boas. The doors of the old ballroom are flung open and the overhead fans whirl into action. "Now, the other hotels in Penang bring in big artists from overseas," says Nancy. "But we have our faithful audience who like our music and style."

Nancy and Daisy glide effortlessly through a medley which ranges from the swaying palms of Harry Belafonte to Maurice Chevalier's little girls and little boys and ends bobbing in a rickshaw through the World of Suzie Wong.

The Sarkies brothers, Martin, Tigran and Arshak, built the E&O. Handsome devils, with moustaches that could gauge wind directions, they were Armenian Jews who travelled east in the middle of the last century. They built up a formidable hotel empire which included the Strand Palace in London, the Raffles in

Singapore and the E&O.

The second world war, with Japanese troops filing through the three great hotels, dealt a fatal blow to the Sarkies although Arshak - who is remembered for dancing round with a glass of whisky soda balanced on his bald head at the 1924 St George's day ball - had by then fallen on hard times.

"Arshak Sarkies," says a *Who's Who* of the time, "has taken a keen interest in racing." Too keen, it seems. All the Sarkies' money was frittered away on the horses.

Nowadays, the Strand Palace is looking very down at heel. At the other extreme, the Raffles has been turned into an expensive modern parody of its original self. Only the E&O evokes the original Sarkies' spirit, fastness and all.

Albert, Nancy and Daisy are having a little break and chatting with the audience. All seem to be old friends. Brother Augustus, a blond half-Portuguese, half-Chinese priest, comes in.

The circle is widened. "Now Brother Augustus," says Nancy "You must give us a song."

Brother Augustus obliges. Albert tickles his piano, Nancy and Daisy lead the applause.

The atmosphere is as fresh as it was when Albert played his first night at the E&O, more than over 45 years ago.

As They Say in Europe

Mistaken identity

Now to get back to a subject I would have tackled in the past couple of weeks except for other matters intervening. I shall not allow the week's dreary round of comment on the British Budget to deflect me.

Last month saw the 75th anniversary of almost everything, including the foundation of the Austrian republic. Never has this November date seemed so relevant to current events, at least never so much to the Austrian press.

The significance of the collapse of the empire was summarised in the biggest-selling tabloid, *Kurier*. It noted that the monarchy's multi-racial army occupied huge tracts of foreign soil by late-1918 and, "in a typical piece of Austrian nonsense," surrendered in Padua to an Italian army it had already beaten soundly.

We are still dealing with the consequences of the subsequent collapse: Czechs and Slovaks pushed into a common state; millions of Hungarians left as minorities and as potential problems for Romania, Serbia and Slovakia; and Slovenes and Croats locked into a south Slav state where the Serbs played the role of victor.

In Bosnia, there began a wave of persecution of those Moslems and Croats who had been loyal to the monarchy. Austria lost South Tyrol and became "the state nobody wanted"; all the natives *did* want was union with Germany, so the Nazis entered the country 20 years later under the pretext of "expressing the true will of Austrians."

Kurier concluded that the end of the empire was the "beginning of an endless tragedy of ethnic and national conflicts in central Europe."

Die Presse adopted a complementary theme: in a modern Europe free of trade restrictions, with open frontiers and possessed of a single currency, there was only one historical precedent that mattered. The Habsburgs had provided all this for a large part of the continent until 1918.

In the *Salzburger Nachrichten*, we read that the real

anniversary was that of 1,000 years of Austria, which falls in 1998 - the year it plans to enter the European Union. That, said a contributor to the paper, meant the country would sacrifice a "thousand million schillings" and 1,000 years of history while receiving Ecus in exchange.

So, if Austria was at the centre of the storm which generated all the European disasters of this century, it also provides the metaphor for a full European union, for which it will sacrifice itself yet again.

The Dual Monarchy should

'The end of the empire was the start of an endless tragedy'

indeed influence those in Brussels who are creating a more boring Europe. The Austro-Hungarian model can add a dash of colour and satisfy Euro-sceptics of different hues. If Jacques Delors were to become, say, the Count of Brabant, he would appear an even more attractive figure to the diverse populations of the Union. (The title might carry with it the captaincy-general of the Belgian football team).

Articles in *Zeitung*, an long-distance shots in the seider London tabloids of his wife on distant island beaches, would elevate this somewhat forbidding figure to celebrity status.

He would be assisted by various new commissioners - the Duke of Comaught would be the hereditary Commissioner for Pensions and Centre, and the Duke of Burgundy would make a fine food and drink supremo. A resurrected Elector-Palatine would be president of the European Parliament, members of which he would select personally.

By its very nature, the system would ensure the realisation of certain socialist aspirations - a "Europe of regions" would be an inevitable result. Work sharing and jobs for life are at the core of the concept.

The post of head of state would pose some problems, though. Many would think twice about a European emperor based in Vienna; but turning Otto von Habsburg into a Carolingian figurehead enthroned in an already existing European institutional capital, Strasbourg, would provide a decorative addition to the scene. The Queen of England, as the first among equals of European royalty, would supply the balance in the other half of a Dual Monarchy.

And, finally, we should have a solution for the German problem. The country's unification has not proved beneficial - it never has - so the answer is to split it up again.

The old German Democratic Republic could re-emerge in slightly different form as Prussia. Bavaria could gain what it always wanted - independence of a sort; and Hamburg would concentrate on making money around the Baltic and up and down the Elbe. Any number of daft and varied constitutions could be provided to ensure that subsidiarity flourished.

To conclude with what might be an apocryphal tale, but one which has the ring of truth: in 1920, a German weekly, presumably *Simplicissimus*, ran a competition for the most startling headline of all time. The winner was: "Archduke Franz Ferdinand Alive: Great War a Mistake."

The time has come to rectify that mistake.

James Morgan
James Morgan is economics correspondent of the BBC World Service.

CLOSING DOWN SALE
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PERSPECTIVES

Pravda faces harsh truths of survival

On the front page of a recent copy of *Pravda* was a photograph of Andrei Sakharov, the late Russian dissident. Beside it a headline read: "The Second End of Sakharov".

Instead of the cynical piece expected, it regretted his passing, and said his conscience was never more needed to bring to account the present powers in the Kremlin.

Viktor Limnik, the new editor of *Pravda*, is not embarrassed by these new affiliations: on the contrary, he affirms them. Asked in what tradition of socialism he now stands, he eschews communism in favour of "the tradition of Sakharov - of conscience and diversity".

Here is a turn-up for the history books, and one which is hard to puzzle through: does it mean that Russia's communists now see themselves as a force for freedom of conscience, as inheritors of the mantle of the man they denounced, mocked and hounded into exile? Or is it a mere tactic in the long war which has recently gone badly for Marxism-Leninism, but which may yet look up once more?

Limnik's promotion to the occupancy of the vast office of a chief editor of *Pravda* gives some clue. *Pravda* was closed immediately after the armed uprising by the parliamentary forces (it had been a strong supporter of the parliament). It re-opened after partly fulfill-

ing a list of government demands. There were demands for a change of chief editor and that the paper change its name. However, internal debate was raging when *Pravda* was closed.

Gennady Seleznev, chief editor for the previous two years, was losing out against both Ilyin, one of the deputy editors, and Limnik.

Seleznev was seen as too hard line and insufficiently interested in reshaping the

Can Russia's newspaper adapt?
John Lloyd in Moscow reports

paper to cope with an increasingly difficult market. A staff meeting had been called at which the issue of re-election of the editor was to be discussed.

But then the closure caused the staff to rally behind Seleznev. So when Ilyin was named as his successor and began talks with the government, he lost much internal support.

A staff meeting, faced with a choice between Seleznev, Ilyin and Limnik, narrowed it down to the last two and then chose Limnik - the centrist of the three candidates.

He is thus neither a liberal nor a hard-liner. In working out *Pravda*'s new line, he will be guided, he says, by a view of the paper as "above all an

information medium, not strongly tied to any party".

He describes himself as "a socialist, even a social democrat": his four years in New York put an American twang on his flawless English, and enabled him to make contact with some influential contacts.

His largest critique of the government is that "it is the real inheritor of communism: it is the one which uses Bolshevik methods". He instances the suppression of some of the opposition press, the bias of TV and radio, the discrimination against far left and right parties. "This will be our central cause from now on," he says.

Will *Pravda* survive? It is supported by a Greek millionaire with Communist roots and, paradoxically, it also receives a subsidy from the state which banned it.

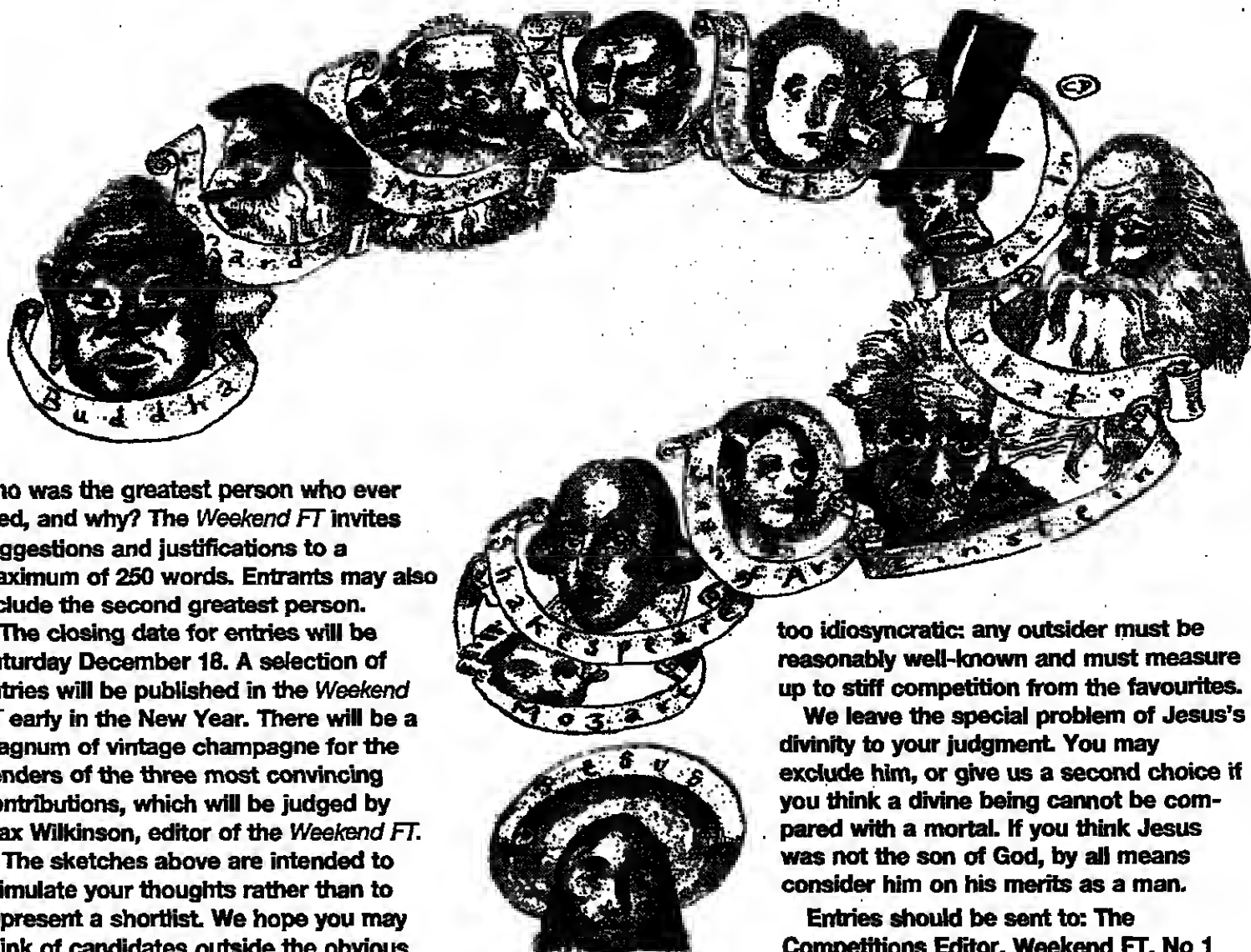
Costs of producing the paper are huge, largely because it continues to attempt to be a paper of the Soviet Union, with 22 printing plants throughout Russia and the former Soviet states.

"We should get state support: we are an institution, like us or not," says the new chief editor. And here lies the clue to Limnik's orientation - it is to the state and to the nation, rather than to an ideology.

His refurbishment of Sakharov is in order to bring the paper back within the fold of the state and its present leaders - even if he continues to oppose them.

The greatest person who ever lived

The Weekend FT offers a festive reward for the best nomination



Who was the greatest person who ever lived, and why? The *Weekend FT* invites suggestions and justifications to a maximum of 250 words. Entrants may also include the second greatest person.

The closing date for entries will be Saturday December 18. A selection of entries will be published in the *Weekend FT* early in the New Year. There will be a magnum of vintage champagne for the senders of the three most convincing contributions, which will be judged by Max Wilkinson, editor of the *Weekend FT*.

The sketches above are intended to stimulate your thoughts rather than to represent a shortlist. We hope you may think of candidates outside the obvious list. But remember, the winner cannot be

too idiosyncratic: any outsider must be reasonably well-known and must measure up to stiff competition from the favourites.

We leave the special problem of Jesus's divinity to your judgment. You may exclude him, or give us a second choice if you think a divine being cannot be compared with a mortal. If you think Jesus was not the son of God, by all means consider him on his merits as a man.

Entries should be sent to: The Competitions Editor, *Weekend FT*, No 1 Southwark Bridge, London SE1 9HL.

Tales of Endeavour and imagination

Recreating Captain Cook's ship has tested the ingenuity of historians and craftsmen. Keith Wheatley meets the team

CAPTAIN COOK'S bark *HMS Endeavour* had, like other ships of the period, a veritable conservatory across her stern. Cook, botanist Joseph Banks, and the other scientists of the 18th century's greatest expedition wanted maximum light in the great cabin.

Recreating these windows became a test of will for a team of craftsmen and historians constructing a replica of the *Endeavour*.

"We initially put modern glass into the frames but it looked horrible. Much too clear," explained Antonia Macarthur, a British-based naval researcher who has had the responsibility of recreating the ship's interiors. "Eventually we tracked down a long-established London firm who could make 18th century glass, full of bubbles and imperfections."

But the quest for authenticity went far deeper than the glass in the windows. When the wreck of the *Pandora*, another 18th century vessel, was found and excavated off the coast of Queensland, divers

discovered a sash weight from her great cabin. This has been used as a pattern by blacksmiths creating items for the *Endeavour* replica.

"No visitor to the ship will ever see those weights but to me, and everyone working on *Endeavour*, they signify the attention to detail that makes this replica so special," said Macarthur.

On December 9, the 500-tonne *Endeavour* goes down the slipway in Fremantle, Western Australia. Her building has taken twice as long as Cook's 1769-71 voyage which placed Australia and New Zealand firmly within the known world.

Much of the time has been spent raising the \$6.8m needed to fund the project. Of that, \$500,000 came in a single donation from Garry Weston, chairman of Associated British Foods.

But the requirements of historical accuracy have their own imperative. "This will become the benchmark for the recreation of historical ships. This is a crucial vessel as she really was, not Hollywood's milliooth rebuild of the



Captain Cook: 'would recognise her straight away'

Bounty. Everyone is bored stiff with that," said Fred Walker, until recently chief naval architect at the National Maritime Museum, Greenwich, and responsible for hull and lines of *Endeavour*.

"Captain Cook would recognise her straight away if there were to be a miraculous reincarnation," added Walker.

Since the original *Endeavour* was a 500-ton collier, built as a workhorse to trade between the Yorkshire coalfields and London, no building plans exist. However, once she was commissioned into the Royal Navy a full set of measurements was taken at the dockyard and these still exist at the National Maritime Museum.

The only significant departure from the original construction is in the use of the native Australian wood jarrah for the hull. Jarrah is so hard that during the 19th century many London streets were paved with it. *Endeavour* was built of oak.

Even if oak of the necessary massive sections were still available its cost would be astronomical. Fred Walker has recently provided budget estimates for a project similar to the *Endeavour* in Europe and

gauges the cost of the timber alone at between \$1m and \$1.5m. Other details are painstakingly real.

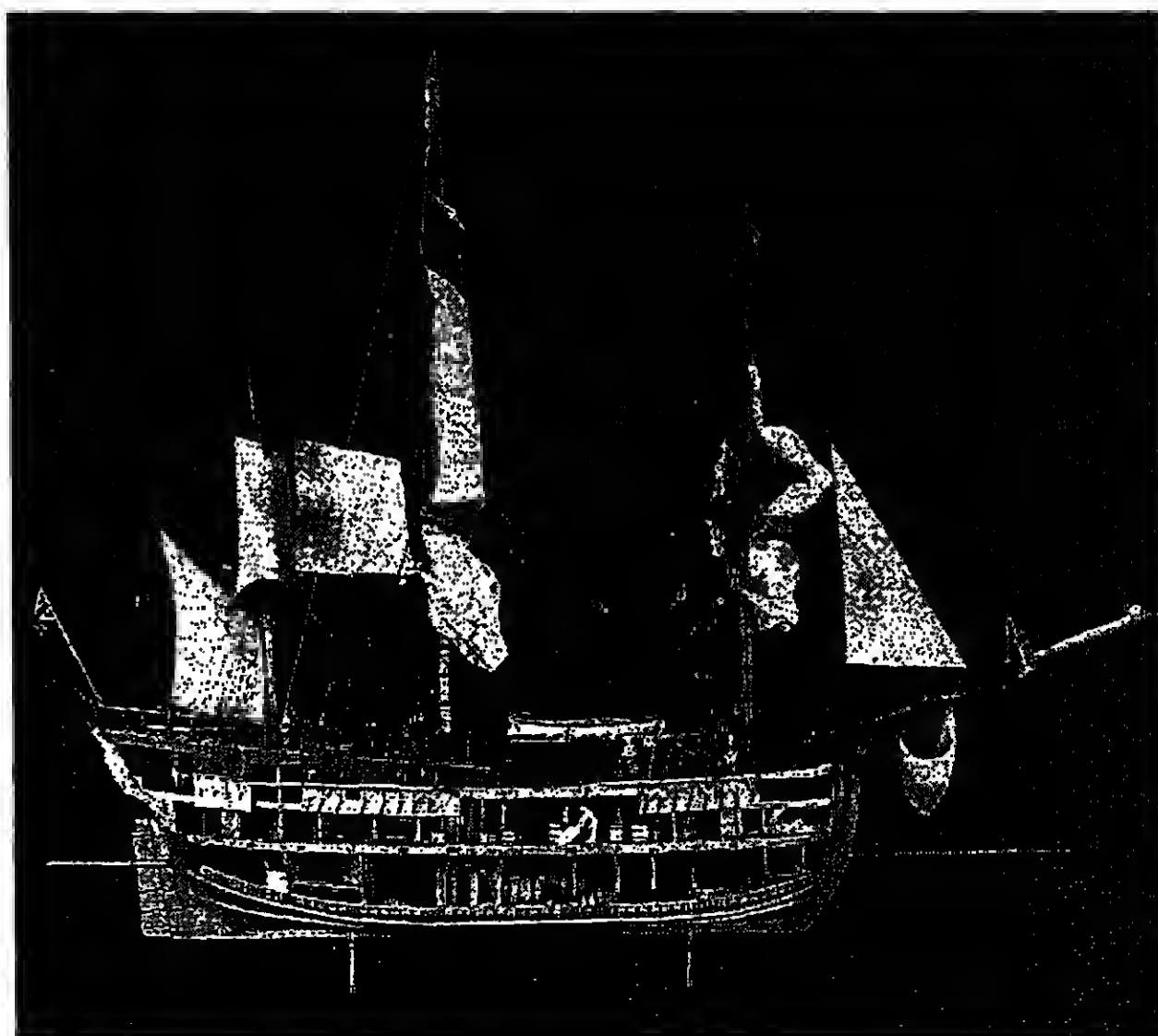
"Hull timbers are fastened with wooden trenails. I've worked in shipyards and ship-building all my life but I'd never seen one driven until I came to the *Endeavour* project," enthused Walker.

There are other concessions to life at the close of the millennium. Twin diesel engines, a cabin equipped with modern satellite navigation equipment, and full 20th century life-saving equipment were essential if the *Endeavour* was to be insured and go to sea - as is the intention of her trustees.

Once her masts have been stepped and sea trials completed off Western Australia, the little ship will sail to Sydney in the spring of next year, calling en route at major ports such as Adelaide and Melbourne.

"If you're not to be lumbered with an unusable hull you've got to be able to jump through the same international hoops as any other sail-training vessel," explained Walker.

Endeavour will be under the command of Captain Christopher Blake, a British skipper



A model of the *Endeavour*: in building the team's full-size version, the quest for authenticity went deep

Picture: National Maritime Museum

with a special Square Rig endorsement to his master's ticket. Blake is currently Master of Japan's first sail training vessel, the *Kaisei*.

Although the *Endeavour*'s permanent home is to be the Darling Harbour complex in Sydney, Europe's first glimpse of her outside the TV screen is likely to be the following year when she will sail to Britain, re-tracing Cook's homeward

voyage. Before then, Macarthur must fill the interior with fabrics and furniture that Cook and his companions would have lived with. The Bond Street company of Harvey & Sons is building and donating a 12ft long oak table for the great cabin.

Joseph Banks took a bureau with him. Macarthur is working from records of the kind of

furniture he chose for later homes, to extrapolate and decide what he might have taken on the expedition to the Antipodes.

"Banks writes about sleeping in a swinging cot. But how do you construct one? There are two paintings and a sketch extant but they are hardly drawings for a joiner. I think we'll have to build a few and try them out," she laughed,

clearly relishing a historical challenge that is far from dry. "I'm convinced Mrs Cook would have given him something to take with him, possibly a piece of embroidery for the cabin bulkhead," said Macarthur, with her own special contribution to the ship firmly in mind. "My fellow historians will say it is fantasy but you have to use your imagination in something like this."

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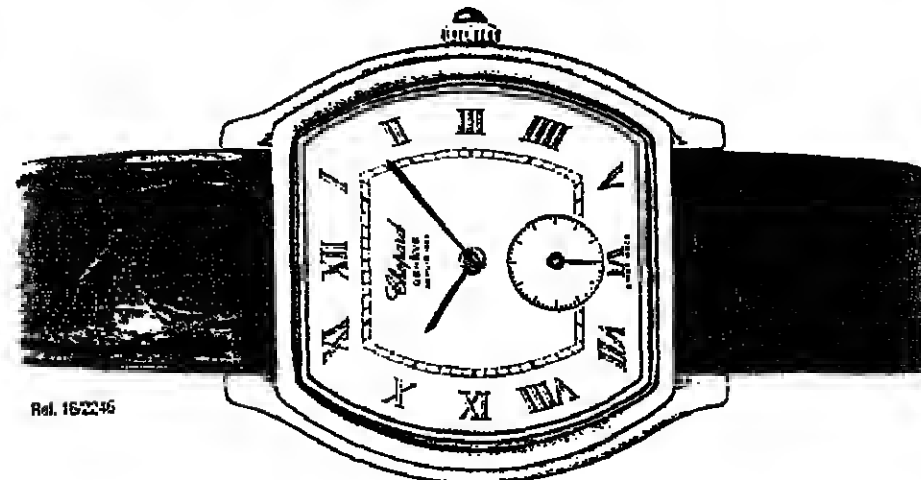
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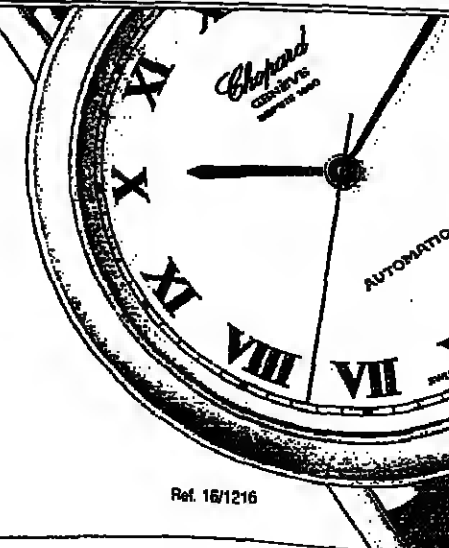
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مكتبة الامم

HOW TO SPEND IT

Lucia van der Post finds fabric and foliage are fashionable accessories when it comes to decoration

Flowers for the festive season

If you had asked either of my grandmothers they would have been quite astonished at the notion that flowers could be in and out of favour. The very idea that the chrysanthemum, the iris or the carnation (let alone, shudder, shudder, the poor old spray carnation) would be given such a heave-ho by the chicken-wire and "oasis" set would have been enough to confirm them in their vision of a world gone mad.

But I am sure that those of you who are even now planning the decorations for the festive season at *chateau mon repos* would like to know that the marigold (once a real no-no) is back in favour.

How do I know?

Well, Caroline Dickenson ("one of London's most innovative florists") tells me so and she ought to know. Caroline has recently turned the ballroom and other banqueting areas at the Dorchester Hotel into a veritable scene from Arabian Nights and, using 12ft-tall candelabras decked with cream roses (not one to emulate *chez vous* - a trifle ambitious perhaps for the domestic setting) transformed a London site into a set from the film *Orlando*.

In addition, she regularly does the flowers for chic eateries such as Le Gavroche and Moshmann's as well as Christian Lacroix, Cartier and Yves St Laurent.

This Christmas, says Caroline, it is artificial decorations that are the no-no: "The trend is towards mixing berries and natural evergreen foliage such as trailing ivy, blue spruce and larch twigs with seasonal flowers combined with fruits, nuts and vegetables."

"If you are aiming for a traditional look, use strong colours such as rich dark reds, bright oranges and purples with various shades of dark green."

"Fabric is very much in evidence,



Glazed terracotta candelstick (£175) by Laurence Simon from an exhibition at Sue Williams, 320 Portobello Road, London W10 9PL. Prices start at £12.

too - ranging from bows made from silk organza to lengths of crushed velvet swathed through and round decorations. To add some glitz use gilded fruits such as pomegranates, apples and oranges and nuts. Adding spices and herbs such as cinnamon sticks, anise and bay to an arrangement will fill the room with a subtle yet exotic scent."

Indeed, great florists obviously think alike - at this week's grand Royal Opera House dinner at the Whitehall Palace, one of London's most sought-after creators of magi-

cal effects, Paul Dyson, had used a very similar decorative approach.

He had featured lots of brilliant strong colours in the flowers - reds, oranges, ambers - and the staircase was richly swathed with flowers, foliage and generous swags of ruby red velvet.

"Candles," says Caroline, "shed a soft glimmering light but if you are trying to create a rich, warm effect use dark red, green and purple coloured candles instead of white."

"To create a strong effect group decorations together rather than scattering them around separately. There should be continuity in the theme. For instance, if you are using blue pine you can use it in all sorts of different ways - from decorating a fireplace and a staircase to forming the base for a wall hanging or door wreath."

The scheme photographed here at Moshmann's strong groupings and a sense of generosity

Fireplaces are often the focal point of a room and a decorated mantelpiece can set the warm and welcoming scene. Swagging made from blue spruce can be draped along the mantelpiece and down each side of the fireplace.

Bunches of red and orange full-blown roses and bunches of red anemones (for which 10 stems per bunch seems the approved number) can be tied on tightly with string or floristry wire. These will obviously only last for a few days so be prepared to change them and to put them in place as close to the last minute as you can bear.

Bunches of evergreen foliage, berries and larch twigs with lichen can be attached with floristry wire



Caroline Dickenson's decoration at Moshmann's strong groupings and a sense of generosity

along the swagging to soften the look. A length of crushed velvet could also be swagged along the mantelpiece. Add bunches of cinnamon sticks, apples and tangerines - again attach with floristry wire.

When it comes to the table she suggests taking several different-sized terracotta pots. Line them with black bin liners to prevent water leaking. Then fill them with evergreen foliage, berries, anemones and roses echoing the columns used for decorating the mantelpiece.

A large terracotta pot in the centre and smaller ones around the table works well. (They might also

make good presents to give guests to take home.)

The pots can be linked with swathes of crushed velvet (velvet, you will have gathered, is the fabric of the year) along the centre of the table or with trails of ivy leaves and foliage such as skimmia or variegated holly. Bunches of berries, foliage and flowers can also be attached to candelabras with floristry wire.

Many of these precepts apply to decorating the tree - above all, do not skimp, do not be mean. You should allow at least 10 lights for every foot of tree and try to make

sure the wire and tape are the same colour as the tree.

Decorations can be made from bows of velvet ribbon or silk organza, with fir cones, bunches of lavender, tiny terracotta pots stuffed with paper and topped with glued-in nuts and the whole effect can be softened with added bunches of larch covered in lichen.

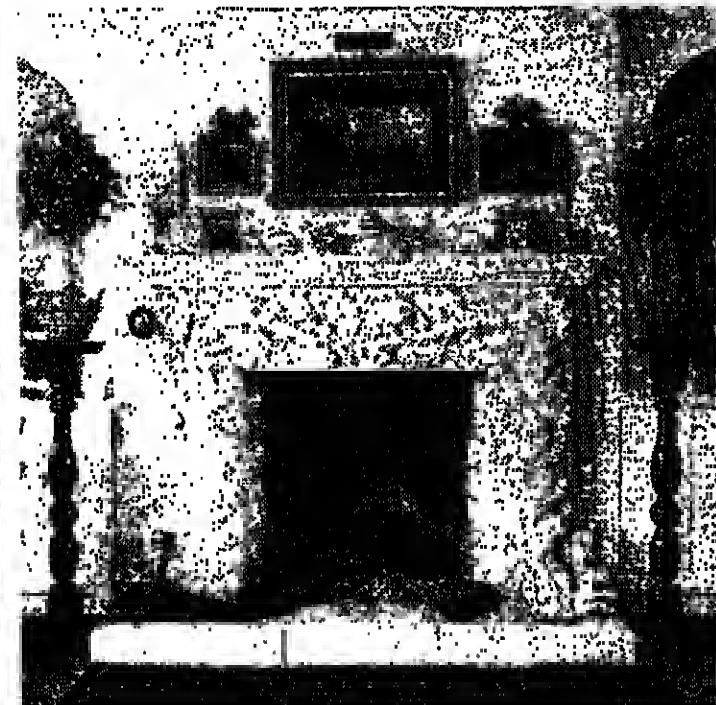
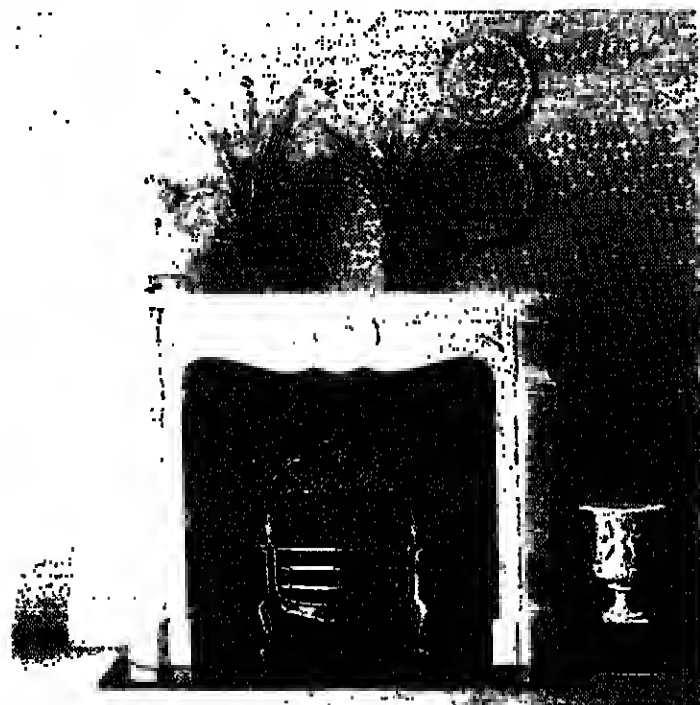
If you can handle all that little lot yourself you are a better person than I am - or better organised or less busy.

The ill-organised, the lazy or the genuinely over-worked can call in Caroline Dickenson herself: she can

either supply the wherewithal (the blue spruce swagging, the door wreaths, the flowers, the floristry and chicken wire, the oaks and the gilded pomegranates, dried orange slices, peppers and chillies) which you can deploy skilfully around the house. Or she will come and do it all for you.

Her prices range from £10 for a simple arrangement to £5,000 for a grand hall but there is a lot more in between.

Caroline Dickenson is at 5, Wilham Street, Knightsbridge, London SW1X 9HL. Tel: 071-245-9399.



Fireplaces and Christmas are an almost indivisible image, symbolising the centre of the home. Those dreaming of a new fireplace might like to consider the options photographed here.

Far left: a reproduction period French fireplace. In fine white marble, it is £750 (an original antique would run into thousands of pounds) from The Antique Fireplace Warehouse, Buckingham Antiques, 194-196 Battersea Park Road, London SW11 4ND. Tel: 071-627-1410.

Centre: large fire surround and hearth, made from Pietra Lira limestone, £650 (other fire surrounds start at £350) from Stone Age, The Studio, 40 St John's Hill Grove, London SW11 2RG. Tel: 071-738-2554.

Left: ornate oakleaf surround, hand-carved in stone from the Farmington quarry. This is one of the most ornate, at about £5,000. Simpler versions start at just below £200. For brochures, contact Farmington Stone, Northleach, Cheltenham, Glos, Tel: 0451-660280.

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South Africa's miracle

Continued from page 1

National Party staged a high risk gamble for power, and lost. Speaking after the conference ended in disarray, de Klerk seemed oddly confident of his strength; but the events of the succeeding months undermined his position.

"The Nats peaked at Codesa," says a senior ANC negotiator. "At that point, the ANC had serious problems; its members were complaining

about negotiations. (Ronnie Kasrils still had dreams of insurrection, the regime was dizzy with international invitations, Inkatha was still intact as its negotiating ally, and the Nats had high hopes of forming a non-racial party."

Everything went downhill from there. International opinion turned against de Klerk after the June massacre at Bopatong, for which he was indirectly blamed; the ANC bolstered its confidence through

mass action; and then in April this year, ANC leader Chris Hani was assassinated, permanently tilting the balance in the ANC's favour and allowing them to extract the crucial concession from government: agreement that elections would be held on April 27 next year.

That was a trap, from which the government proved unable to escape. "In the end, time made it impossible for them to bold out," says Joe Slovo, eminence grise of the ANC team. His November 1992 decision to persuade the ANC to offer a deal based on power-sharing was a crucial step on the way to last month's deal.

He argues that power sharing is necessary because: "All we will achieve when we have won the election is to gain political office. We would not gain state power in the sense of having a complete transformation on day one of the police, the armed forces, the judiciary and the civil service".

To ensure compliance from those constituencies, the ANC needs the National Party: so Slovo has assured Government negotiators, and so, crucially, Mandela has assured de Klerk. But power-sharing will be purely voluntary: "We won the battle for an executive which at the end of the day is based on majority decision making - something I thought we would not win. None of us thought, even a week (before), that we could win that," says Slovo.

"Power sharing?" Madiba cracked him," says another senior ANC negotiator, referring to the 11th hour meeting between Madiba (Mandela's clan name) and de Klerk on the eve of the deal. ANC negotiators had let it be known that they would agree to a requirement that important issues be

passed by a special majority of Cabinet (which would include other parties like the NP). But Mandela offered no such concession; power would be shared voluntarily, or not at all.

Mandela would seek consensus where possible: "but in the end, if we differ, we are not required to listen to them," another senior negotiator concludes. He disputes the definition of power sharing offered by a prominent Nationalist: "Whites will still have one hand on the tiller. There will be other hands and the white hand won't necessarily be the strongest, but it will be there."

"How can that be?" asks the ANC man, who is too senior to be named without embarrassment. "If it's not in the constitution."

"We must make ourselves indispensable - that is the recipe for the future," counters Meyer while Con Botha adds: "The failure of apartheid has shown us the folly of relying on laws alone to sustain yourself."

Another prominent Afrikaner completes the metaphor, and sums up the cautious optimism which is the true fruit of negotiations: "We're still between the devil and the deep blue sea. But at least we've got a raft to take us through the rapids."

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Those seeking decorative inspiration should head to the Save the Children Fund's festival of trees which can be seen, free, at the headquarters of Courts and Co., 440 The Strand, London WC2R 0ET until December 6.

Several distinguished creative talents have lent their skills free and each has decorated a tree in the spirit of Christmas. The range of designs has always been vast, taking in post-modernist teases as well as reworkings of traditional themes. Simpson of Piccadilly, for instance, has provided a rampantly romantic tree - all pine-cones and floppy bows on a proper fir, while Sarah Fabergé's version is hung with hand-painted eggs and crowned with an 18 carat gold and crystal egg pendant.

For Coca-Cola, the sponsors, George Daniel created a futuristic tree - green perspex triangle converging on a stylised globe and hung with colourful crackers.

On the evening of December 6 the trees are auctioned at a gala dinner with proceeds

going to the Fund.

The Richmond Fellowship Craft Fair, which many readers kindly support, is on this weekend, today and tomorrow at 8 Addison Road, London W14 in a splendid Edwardian house, built in 1906. It is a great chance to buy your presents and help a charity which provides care, rehabilitation, sheltered work schemes and support in the community for people with mental health or addiction problems. It is open from 11 am to 5 pm today and tomorrow, admission £2.50.

Finally, for those Christmas shoppers for far-flung relations who do not mind the shopping as but hate the parceling-up, it is worth knowing about Mail & Pack, which will gift-wrap, pack and send to any address within the UK or overseas. Prices start from £9.95 for the full service. Shoppers can either drop their parcels in themselves or organise for them to be collected from the shops. Mail & Pack is at No. 35, Savile Row, London W1, tel: 071-287-3301.

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مكتبة الامير

HOW TO SPEND IT

If the going gets tough,
call for the Huskies

Lucia van der Post on the tweed perfectly adapted to the shooting set



The coat worn with matching plus-twees, £100 - and cap, £22.50.

A reader writes to me in praise of the glories of the Husky tweed shooting coat. "It is," he says, "the real unsung hero of the shooting field and it thoroughly deserves an article all to its ugly, drab but elitist and oh-so-functional little self."

So, Mr Samengo-Turner, here it is.

The qualities of the Husky tweed shooting jacket are, according to Mr Samengo-Turner, an almost masonically-guarded secret and in the parts in which he shoots (Suffolk: "the home of shooting") it is referred to as "the Norfolk Mink".

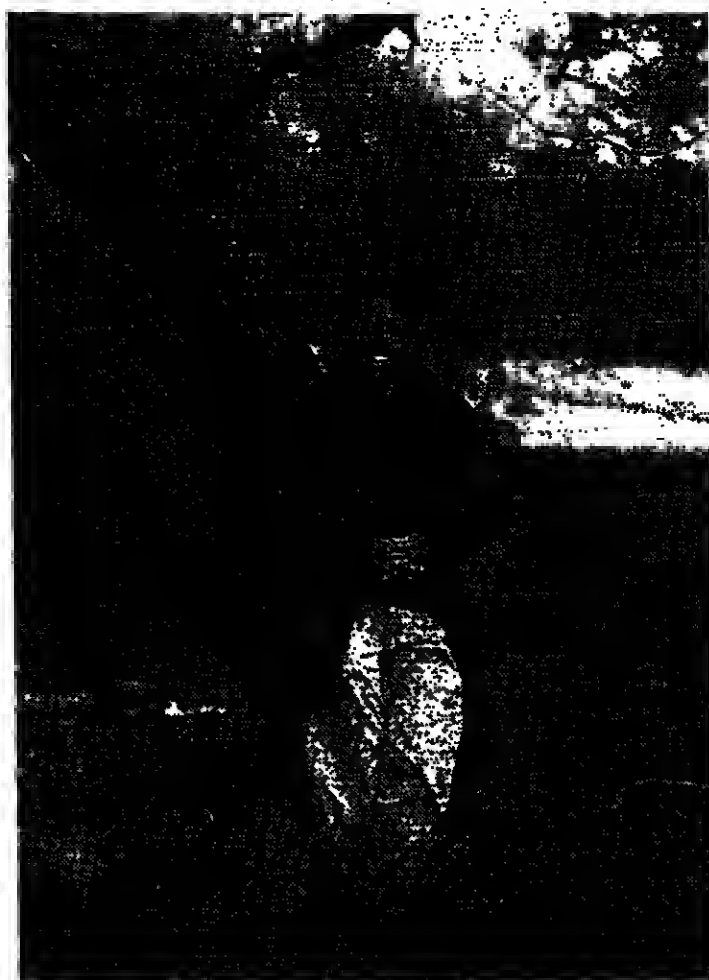
(For those who are feeling sceptical, I should hasten to add that Mr Samengo-Turner has absolutely no financial interest in the matter.)

From this, readers may gather that the jacket confers on shooting folk the kind of status that mink used to confer upon suburban matrons - and make similar inroads on the purse.

There are, of course, more ubiquitous and pervasive rivals which have attempted to bring the ploughed field to the pavements of Wandsworth and which have become the social standby of the "wannabe".

However, the real man and woman of the shooting and country estate proudly sports this garment which looks like a "sackcloth-cum-tweed-wigam". From this, readers will further gather that flattery does not come into the matter. Function and insider knowledge is all.

Huskies come in various forms



John Nettles, the actor, resplendent in a Husky shooting coat, £235

but the one to which the shooting set is addicted is the one that looks from the outside like a tweed jacket but which is lined with warm, thermal padded quilting.

It is "incredibly warm, virtually waterproof and incredibly hard-wearing" - this is a garment to last a shooting life-time. Indeed Mr

Samengo-Turner has shooting friends who are still wearing Husky tweeds made in the late 1960s.

There are all sorts of details which make it the preferred choice of the true shooting man. The sleeves are cut so that the arms may move freely when raising a gun (the technical phrase being a

"reverse-cut sleeve"), there are cartridge pockets and insulated hand-warmer pockets.

There are also storm cuffs, a detachable storm flap and a heavy duty two-way zip.

Those who want the complete look can buy plus-twees and cap in a matching tweed. Tweeds come in quite a range of checks and colours.

Husky's order book, I am reliably informed, reads much like a cross-section of Burke's peerage. And just the other day Prince Edward was photographed wearing one.

According to Mr Samengo-Turner: "If one wears a Husky tweed in London, or on a train into or out of London one gets almost 'secret society' knowing nods and smiles of acknowledgement from country ladies and crusty gents."

"Meeting another wearer in London causes a firm exchange of a 'hello' or a raising of hats! Hunt followers, national hunt racehorse trainers, bloodstock agents, farmers and point-to-point racehorse owners all tend to sport what the Shooting Times once referred to as the Rolls-Royce of shooting coats - although these days, perhaps it should be the Subaru of shooting coats."

Its cult status has caught on abroad, particularly in Italy where an Italian trend-setting socialite wore one at a first night at La Scala and the resulting press hoo-ha was such that the company opened up in Bologna with a showroom in Milan.

Once upon a time the Husky company was a small, little-known secret which operated only by mail order out of Suffolk.

These days it is catching on everywhere and it is stocked by gunshops, riding and shooting shops up and down the country. In London the range can be seen at Harrods of Knightsbridge, London SW1 and in W.H. Green's branches. Prices range from between £235 and £245.

Sweet treats that make
for an easy Christmas

Philippa Davenport opts for desserts which require little preparation

If I have my way, 1993 will be a no-pudding Christmas. I shall concentrate my culinary efforts on first and main courses and end with the simple splendour of fine cheeses and a personal variation on *les treize desserts* - a selection of favourite fruits and sweetmeats.

Elvas plums, marrons glacés and stem ginger in syrup are the triumvirate of sweetmeats without which no Christmas sideboard looks dressed prop-

riety. Chestnuts and ginger have never been hard to come by, thank goodness, but Elvas plums, traditionally imported along with port for the Christmas market, have been elusive in recent years. That they are now on sale again is cause to rejoice - and is due in part to the *Weekend FT*.

A year ago, I wrote in a column that I hoped Elvas plums would, unlike the previous year, be obtainable for Christmas 1992. A reader, an Englishman living in Portugal,

rang me straight away. He told me Elvas production had plummeted, distribution in Portugal was erratic and exports had stopped. But he and his family had bought one of the two factory farms still operating and hoped to revitalise it.

Their first harvest, sugar-preserved in the traditional artisan manner and packed into wooden boxes lined with lace-paper, was ready for despatch. They would be happy, he said, to supply my local delicatessen and any other shops I might like to suggest.

Fired by the enthusiastic reception for these tentative consignments, the company Conservas Rainha Santa has redoubled its efforts this year. And providing you buy soon, your sideboard need not lack Elvas plums this Christmas.

For your nearest stockist, contact the importer, Porters (tel: 0123-323233; fax 0123-323338). Figs are another fruit to associate strongly with Christmas. In Amalfi, they are split and stuffed with chopped walnuts and tangerine peel, threaded onto skewers interlaced with bay, and dried. Exquisite but not so far as I know, available in the UK.

Alternative fig delicacies that are on sale in Britain include southern Italian delicacies imported by Patricia Michelson of La Fromagerie, in north London (071-359-7140). Available from her shop and by post are

aromatised preserved figs; figs soaked in rum and coated with dark chocolate plain figs (also clementines) coated in thick dark chocolate and a stunning confection known as fig balls.

The size of small cricket balls, these are dried figs soaked in honey and fruit juice to make them agreeably moist, packed into a round, and wrapped in vine leaves. She recommends them with cheese, and adds that they could possibly be used as an alternative Christmas tree decoration.

Chocolate-coated Calabrian figs can also be bought from the Algerian Coffee Stores in central London (tel: 071-437-2480, fax 437-5470).

From Spain come fig wheels - small, round cakes of pressed figs layered with almonds and sprinkled lightly with aniseed. A prune and walnut version is also available from the same importer. Brindisa, which can be contacted for your nearest stockist (tel: 071-403-0282; fax 071-403-5044).

Brindisa also imports some lovely *turrón* or *torro* made by a Catalan company called Alemany. *Torró Granolat* (known as *Alfonsa* by some other producers) is an addictive, halva-like ground almond bar with lovely texture. *Torró Massapa crema* is a smooth almond paste flavoured with vanilla under a burnt sugar coating. The nuts are top quality, making it more nutty than sweet.

Returning to something more British, two companies vie in the "favourite fudge" stakes: the Toffee Shop in Penrith, Cumbria (0789-62008) and Wards of Adisham, Kent (0473-720399). Both sell the lovely stuff by post, and fudge fans may consider acquiring a box from each for a little serious comparative tasting this Christmas.

As for chocolates, Carlo Melchior, of Chittlehampton, makes very fine truffles and praline. For families who may feel cheated if denied plum pudding, a witty solution could be to serve individual ones such as Melchior's gobstopper-size chocolate truffle plum puds filled with brandy-soaked festive fruits and topped with a sprig of marzipan holly.

Melchior also confectioners amazing chestnut chocolates: dark chocolate filled with soft praline, encased in a green almond paste husk. (tel: 0789-540643; fax 0864-761115).



Fotody Lloyd

A revolution
in Toyland

Whatever happened to cutesy, air-rods? When my children were small they were the badge of honour of the design-conscious home. You left them lying strategically around the place and visitors could instantly tell that here was a really concerned home - no nasty little plastic thingummies to sully the burgeoning aesthetic sense of the small set. Wooden hand-made and strictly educational were what made a toy acceptable in the socially-aware home of the late 60s.

So imagine my surprise on opening this year's edition of *The Good Toy Guide* to see pages filled with jolly, brightly-coloured plastic toys, offering the kind of joys the poor, deprived children of the 60s never knew.

There, in all its garishness, is the Little Pony Kitchen (£16.99 and "robust enough to withstand the attentions of

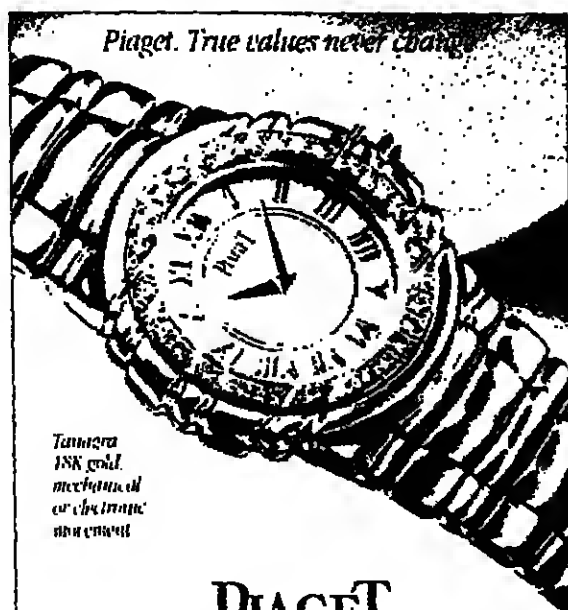
temperamental young chefs"), the Incredible Crash dummies (£4.99), the Jungle Fun Train (£36.95) and the Bonemil Barbie Audio Cassette Recorder with Microphone, in all its purple and shocking pink awfulness, (£31.99).

Toys, of course, must change as the world changes but today's child is at least not deprived of jollity.

Those wanting advice and inspiration as to what to give anybody under eight could do worse than send off for this guide - every toy has been tested, every one comes with full and clear descriptions of exactly what it does, its strengths and weaknesses, its price and a list of manufacturers' addresses.

* *The Good Toy Guide*: £1.25 plus 50p p. & p. from the National Association of Toy & Leisure Libraries, 63 Church Way, London NW1 1LT.

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مكتبة الامير

FOOD AND DRINK

Take a rich sprinkling of serious chefs...

Nicholas Lander gathers some tips from top professionals for entertaining throughout the year

Rick Stein, The Seafood Restaurant, Padstow, PL28 8BY, Cornwall. Tel: 0841-832485.

Earlier this year I bought *Bistro Cooking* by Patricia Wells (Kyle Cathie, £14.99). It is a book of recipes from bistros in France which serves the sort of food that everyone loves to eat and every chef loves to cook: *Oeufs en Meurette, Escouffade Provençale, Brandade de Morue, Pommes à l'huile and Petit Sale*. All the recipes work and are refreshingly simple.

There are two fish dishes with similar sauces - skate wing with a sherry vinegar sauce and sautéed cabbage and turbot in cider vinegar sauce. Both use plenty of good vinegar, have a hint to them but are not too acidic.

I have borrowed both dishes and cooked them with great success in the restaurant. The sauces are little more than fish stock and mature vinegar reduced down together and finished with plenty of unsalted butter.



Why I have not experimented with vinegars in butter sauces before when *beurre blanc, beurre rouge* and *beurre noir* are such popular vinegar-based fish sauces, I

do not know. You need the best vinegars, preferably long matured; the cider vinegar we have just finished from Trebetherick, just across the Camel estuary, was more than

20 years old. I am now busy making vinegars for long maturation. If anyone has any old vinegars for sale (but not balsamic) please get in touch.

Philip Britten, The Capital Hotel, 22 Basil Street, London SW3 1AT. Tel: 071-589-5171.

Last October I learnt an important culinary lesson the hard way. It is possible and practical to adapt recipes from home to the hotel but you have to be careful which you choose. Our general manager thought that we should serve our own marmalade in the hotel and that, if it were ready for Christmas, we could give it as presents. He even supplied a recipe that correctly called for bitter Seville oranges.

That was the first problem. Only Valentias exist in October and they are not as suitable or as appetising as Seville. Then, when Seville do appear, the season is short and I could not store - let alone make - enough marmalade in January to see the hotel through until the next season.

Finally, no-one can agree on how their marmalade should taste or spread: sweet or bitter, how much peel, how

thick. Yet this recipe had to suit all needs and would be served at breakfast, a sensitive time of the day.

I finally adapted a recipe adapting the solera system that produces sherry, a fractional blending process in this case using orange juice and orange peel from a variety of different oranges and substituting honey for sugar.

The final hurdle was pectin, the natural gelling agent found in orange pipes and normally extracted by boiling them in a muslin bag. On a commercial scale this was impractical and so I searched for a supplier. A wholesaler found a shop in Paris selling powdered pectin.

I was almost there but still the biggest obstacle remained. When the marmalade was ready, the management assembled in front of a table laden with toast, croissants and pots of unidentified marmalade and for an hour we tasted, chewed and marked. Fortunately, mine came out top but toast has never had quite the same appeal.



Joyce Molyneux, The Carved Angel, Dartmouth, TQ6 9BH, Devon. Tel: 0803-832465.

I have been cooking professionally for the past 44 years. Changes in my way of cooking may therefore be less dramatic than in that of younger chefs. But such is the nature of this profession that beneficial influences can come from the most unlikely source.

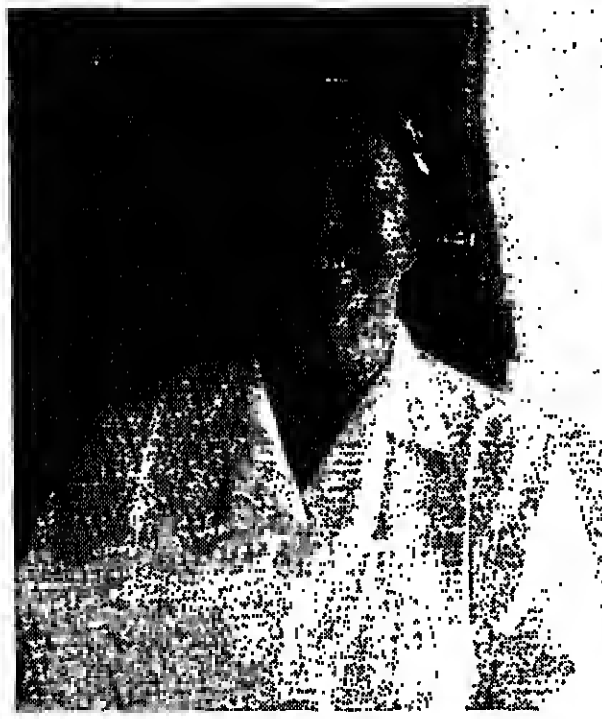
We have vastly improved our method of roasting scallops as a result of watching the local fish shops' treatment of queen scallops. Our former method was slow and messy. Now we remove the top shell then, using a knife or spoon with a sharpened edge, cut behind the muscle and roe to separate it from the stomach, frill and debris and lift out the scallop and roe. Then the scallop only needs minimal treatment to remove the hard gristle on the side.

Around this time of the year we also order seeds from the new catalogues. Thanks to another chef I can heartily

recommend Greek Cross (from Suffolk Herbs). It is a tangy mustard-like plant that grows easily (and incidentally runs to seed just as easily) but is delicious in salads.

More by accident we also discovered a red cabbage, red onion and beetroot combination that is excellent with game, pork and ham. Add half the volume of coarsely-grated beetroot and sweetened red onion to the red cabbage braised in the normal manner. Mix in, adjust the seasoning and reheat to serve.

Finally, we make over 1,000 Christmas puddings each year. Our streamlined production may help others. We put in a blender: eggs, apple, crystallised ginger, lemon and orange juice, brandy and lemon and orange peel removed with a potato peeler. Blend well, then put into a bowl with all the dry ingredients. I have not tried it but I think the base mix in the blender would make a nice baked pudding on its own.



Hilary Brown, La Potinière, Gullane, EH31 2AA, Scotland. Tel: 0620-843214.

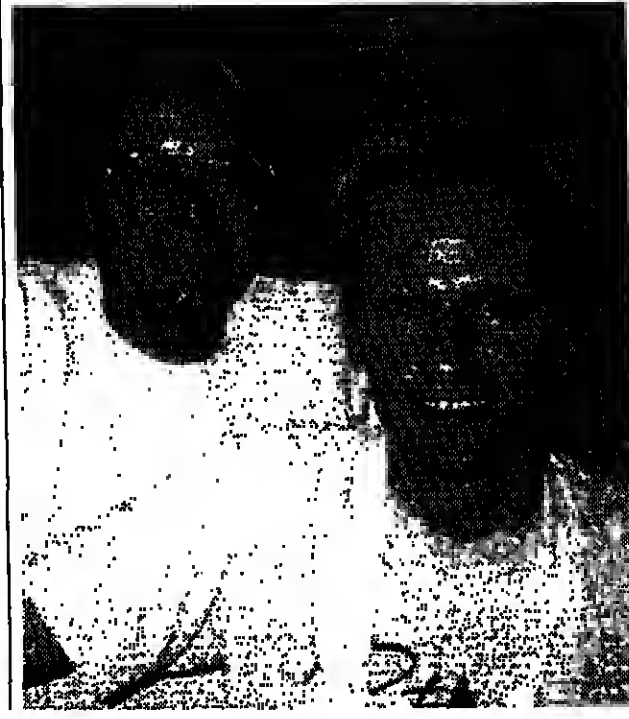
Although we live on the east coast of Scotland close to some of the finest salmon fishing rivers, poached salmon has never excited me. When we were served salmon fillets fried on the skin side only in a restaurant in the south west of France, it was a revelation.

The frying pan must be very, very hot before adding a tablespoon of oil.

Then the salmon fillets are fried quickly so that the outside is crisp and the inside remains moist and slightly undercooked (an extractor

hood or open window is essential). Allow about five minutes for a skinless fillet and about seven for a piece with the skin on, depending on its thickness. Use tongs to turn a couple of times.

The skinless version I serve on a bed of spicy lentils with leeks, garlic and a morille sauce alongside. The crispy blackened skin version I serve with a mound of finely-shredded spinach, oak leaf, lotto rosso and basil, along with a virgin olive oil sauce containing finely-diced red pepper and chopped basil. Top both versions with coarsely crushed Maldon sea salt.



Melvyn Popham and Dennis Hawkes, Pophams, Winkleigh, EX19 8HQ, Devon. Tel: 0637-83787.

Our kitchen is open-plan, tiny, 9ft x 9ft, and was neatly described by one customer as coffin-sized. To work in it requires organisation, careful preparation and staying within one's limits. It is like cooking for friends at home but we do it six days a week.

Dishes need to be creative but simple to prepare with, crucially, little fuss at the moment of serving. And, because our customers are watching our every move, creativity moves both ways.

One dish that a customer said he would be trying for himself came about after the delivery of some local smoked bacon. It consists of a plate of salad leaves topped with sliced avocado and finished with the hot, crisped smoked bacon and a walnut oil dressing. Easy and effective.

Our much-praised dish with duck breasts came from a

customer's suggestion. Thanks to her, we now marinate them overnight in honey, soy sauce, ginger and sherry vinegar and then bake them in the oven.

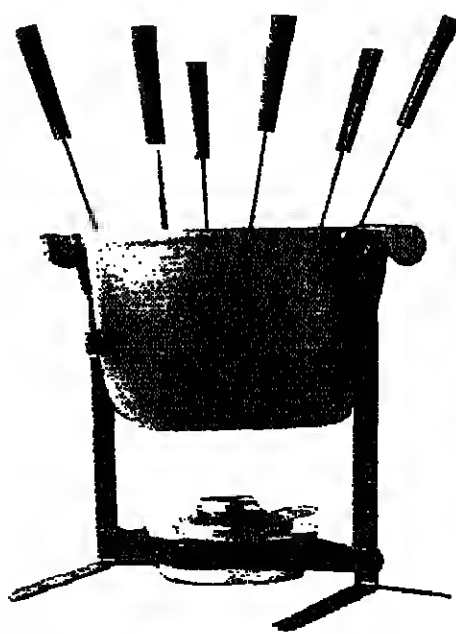
The small size of the restaurant does at least allow us to overhear the compliments. One individual vegetable dish I prepare involves layers of aubergine and tomato baked in the oven. The aubergines are sliced, salted and left overnight so that the bitter juices run out. Pat them dry, fry in hot oil and pat dry again.

Then in an individual gratin dish, layer the aubergine and slices of raw, skinned tomato, finishing with the tomato. Grate black pepper and add a drizzle of double cream, Parmesan, breadcrumbs and a knob of butter. Bake in a hot oven for 20 to 25 minutes.

After one customer had devoured every morsel he asked for the recipe, only to be told by his wife: "But you don't like aubergines!"



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LE CREUSET



David and Mary Adlard, Adlard's, 79 Upper St Giles Street, Norwich, NR2 1AB. Tel: 0603-633522.

This year is the restaurant's 10th anniversary and so far Mary and I have survived my stroke, two children, moving the restaurant, moving homes and the recession.

One of the most exciting times in the kitchen is discovering a new supplier. It may be the opted-out teacher with an array of wild mushrooms, the organic farmer with Swiss chard, globe artichokes and *La Ratte* salad potatoes, or the woman with quail's eggs in her plaited basket.

As a result of our latest move we now have a garden and I grabbed a tiny area as a vegetable garden for salads and edible flowers - nasturtiums, pot marigold,

Oriental Saladini, sorrel and Japanese salad, nuzuna and tatsoi from a visit to Amsterdam. With these ingredients we serve a simple dish at lunch - Salad of globe artichokes and *La Ratte* potatoes with a red pepper sauce.

Peel the artichokes, revealing the heart. Submerge in white wine vinegar for 20 minutes. Wash the vinegar off and cook until tender in chicken stock. Remove the choke and cut up the artichoke and dress with vinaigrette (6:1 extra virgin olive oil to red wine vinegar plus seasoning). Cook the unpeeled potato in salted water until al dente. Peel and slice the potatoes and toss in vinaigrette and chives, chopped shallots and garlic while the potatoes are warm. Check the seasoning.

Discard the pith of the red pepper. Sweat the pepper with shallots and garlic, add white wine and orange juice and reduce. Add chicken stock and cook until the red pepper is soft. Magimix and pass through a sieve. Season.

Then assemble the dish starting with the red pepper sauce, then the artichokes and potatoes and a great fresh dressed salad with edible flowers, using fresh herbs. Please, eat the flowers.

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مكتبة الامير

FASHION

Designing is so tough, sighs Japan's queen of innovation

Alice Rawsthorn meets Rei Kawakubo, a major force in the industry for 20 years

Rei Kawakubo sits at a small, square table in the Comme des Garçons office on Place Vendôme in Paris, fidgets with her silver bangles and heaves a deep sigh. "I don't find it enormous fun being a fashion designer," she says.

"The fashion system is very hard. It's ridiculous to be expected to find a new direction every six months. But my clients expect me to move forward with each collection. It's tough."

Tough, or not, few designers have done it better than Kawakubo, 51, who has been one of the most innovative forces in fashion for the 20 years since she founded Comme des Garçons in Tokyo. She is still known best for the stark, monochrome clothes she showed in her first Paris collections during the early 1980s. But she now has a new prominence as an important influence over the present crop of young European designers - Martin Margiela and Ann Demeulemeester.

"One word sums her up - individual," says Katell le Bourhis, director of the Musée des Arts de la Mode in Paris. "Most fashion designers interpret influences from the world around them. Rei Kawakubo is one of the very few who is absolutely herself. She pursues her own vision without ever, ever compromising."

Everything about Kawakubo, from her bluntly bobbed hair to her intense expression, exudes purpose. She sits in the Place Vendôme office wearing one of her pinstripe pinafores over a black jumper with the sleeves rolled-up, ready for work. Her face is free from make-up. The only visible concessions to feminine vanity are the bangles and her nails which, surprisingly, are manicured meticulously.

Kawakubo is the sole owner of Comme des Garçons, a \$100m (£70m) company, which ranks her alongside Donna Karon in New York as one of the world's wealthiest female fashion designers.

She exercises rigorous control over every aspect of the business, from packaging design to insisting that her 400



Rei Kawakubo... 'I created my own tradition'

employees clear their desks before leaving each evening.

"The breadth of her vision is remarkable," says Deyan Sudjic, editor of *Blueprint*, a design magazine, and author of a book about Kawakubo. "She is not a conventional fashion designer who allows their clothes to be sold in someone else's shop. She goes further than that."

Kawakubo was born in Tokyo in 1942. Her father was an academic at Keio University, one of Japan's most noted educational institutions, and she studied fine art there before working as a stylist in the advertising industry, one of the few areas of business then open to young Japanese women.

She started designing clothes to use in her advertisements and registered Comme as a company in 1973. The name was chosen, uncharacteristically, on a whim. "There was no serious reason," she says. "I just liked the sound of it."

Kawakubo was lucky. She began her business at a time when the Japanese economy had repaired the damage caused by the second world war and was starting its period of frenetic growth. Many of the

most influential figures in contemporary Japanese design started at the same time, including Yohji Yamamoto and Issey Miyake in fashion, Shiro Kuramata in furniture, and Tadao Ando in architecture.

Japan, late in the 1960s, was in a cultural vacuum, still struggling to find a new identity after losing the war and the US occupation. Yamamoto, with whom Kawakubo had a long personal relationship, once described their generation of Japanese as "rootless".

Kawakubo turned this rootlessness to her advantage. She had no formal fashion training and says she has no conscious memory of western fashion from her youth. Whereas today's young Japanese designers are bombarded by images of the French and Italian clothes crammed into Tokyo department stores, Kawakubo had nothing to draw on but her imagination.

"I created my own tradition," she says. "I'm not inspired directly by other people or even by places. I try to detach myself from the outside world and work within my own vision. Everything is very internalised. The result is an unapologetically modern form



The deconstructed fabrics that were such a hit this autumn

of opulence. At its simplest, Kawakubo's approach is a blend of austere Zen aesthetics and technological innovation through the luxurious synthetic fibres and fabric finishes she develops with Hiroshi Matsushita, the Japanese fabric technologist.

Over the years, she has been responsible for a string of fash-

ion "firsts" - asymmetric silhouettes, irregular hemlines, unfinished edges, double collars and odd buttons - many of which have been seized upon by other designers and then diluted for the mass market.

Comme devotees are attracted less by her innovations than by the quality of the fabrics and her hidden touches, such as the exquisite linings and beautifully finished buttonholes. Kawakubo attracts the same sort of wealthy, arty customers to her shops in London and New York, as in Tokyo.

Charles Saatchi, the UK advertising executive, is a fan, as is Alan Yentoh, controller of BBC1 television, artist Francesco Clemente and furniture designer Tom Dixon.

"I love her stuff," says Dixon. "Sometimes, you look



A blend of austere Zen aesthetics and technological innovation

at some of the weirder styles and think 'Hm'. But most of her designs are really very classic. I've got a lot of wear - really a lot of wear - out of my Comme clothes."

Kawakubo still spends most of her time in Tokyo where she works 14 hours a day with her collaborators, many of whom, such as Matsushita, have been with her since the start. One of her latest interests is the furniture she designs with Yoshiaki Oshiba, using the same combination of minimalist forms and modern materials as her clothes. "I can do things with

furniture that I can't with fashion," she says.

"A piece of furniture is a pure object whereas clothes always have to be worn, which imposes limitations."

Her fashion collections have softened in recent seasons. Black still looms large, but this autumn's range includes beautiful brocades and translucent viscoses in more mellow shades.

Some observers attribute the new style to Kawakubo's marriage last year to Adrian Joffe, an Englishman in charge of her European business. She is

as uncompromising as ever, though.

Kawakubo visited Tom Dixon's south London studio recently to choose some work for the Comme shop in New York. She rummaged around until she found a lamp he was making by stretching brightly coloured pieces of tissue paper over a wire frame. "Rei knew exactly what she wanted," says Dixon. "She pointed at the lamp and said: 'I'll have 10 of those - all in black.'"

■ Comme des Garçons is at 59 Brook Street, London W1

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FASHION

Real women wear the trousers

Micro-skirts are fine for waifs but should otherwise be avoided, says Avril Groom

Sharon Stone's legs did it. Until she stomped down Valentino's catwalk in Paris wearing a mini wedding dress and lace tights, all the impossible short, floppy skirts waiting round the international collections had created only a vague sense of unease. To be sure, they were hardly practical for normal life but, on unusually etiolated catwalk waifs, they looked innocent and charming. It was easy to be blinded by their beauty.

It took only one real woman - and a very fortunately built one at that - to reveal the awful truth. The kind of word I heard about poor Sharon in "those" tights and "that" skirt was "sturdy." Far less kind words will be applied to the great chunky-legged majority if they try to follow fashion next spring.

The question is: why should the abiding image of high fashion for next season be a garment that is neither quite a petticoat nor an outgrown gymslip and looks good only on immature-looking waifs? Partly,

it is because of this very self-selecting elitism - you have to be one of a special band to join in. Partly, too, it is because of the snobism that lies behind its impeccable designer provenance.

After Karl Lagerfeld put pelmet skirts - always a good publicity gambit - into his autumn couture collection for Chanel, the house's telephone was red-hot with orders. Chanel's ideal customer - and, in this case, her daughter - may be impossibly rich and thin (rich women, whatever their figures, always seem to have good legs) but, in reality, Chanel may be responsible for some sorry sights.

Whether it be in the interests of a good joke or of press coverage (sometimes the same thing), "Kaiser" Karl

has never been above over-stepping the limits of good taste. He is also promoting the return of white slinkies. But, no matter how crazy or unwearable his ideas, he will have the last laugh because he is so influential that - and here is the crux - his ideas are followed slavishly by the ever-younger band of stylists and fashion editors who are the image-makers for magazines and advertising.

They are so mired in the fashion world that, like a drug, ideas need to be ever more sensational to excite them. The seriously short A-line skirt - new, provocative, even shocking - is their biggest buzz for years. They are ordering micro-skirts for themselves already; and although their readers or customers

may not like it, that is what they will get.

At this very moment, some junior fashion editor, years younger than most of her readers, is preparing a feature which suggests "the" look for spring is a micro-mini skirt worn with ankle socks. Indeed, when Daks launched a new range of children's wear recently, the pink and white striped A-line skirt intended for 10-year-olds was snapped up by a fashion-forward magazine to photograph on a 6 ft super-waif.

The hug has even attacked entirely sensible people. When Benny Ong, a highly experienced and successful designer, showed a capsule spring collection to favoured press people and customers recently, nearly everything was very pretty,

very flared and very short. "Isn't there anything longer?" wailed women used to relying on Benny's graceful, long-line skirts. There were indeed, explained the designer, but he wanted to promote a new, younger look.

This is the real problem for real women. Every collection contains trousers and long skirts which make sales rather than headlines and which are kept out of sight, like dark secrets, when the press are about. But why should women, who prefer not to look like old mutton dressed as spring lamb, be bereft of an image to which they can aspire?

Some designers, such as Armani and Ralph Lauren, recognise this and are full of instantly usable ideas. There is the beige trouser suit,

which will be everyone's working life-line.

There is the quiet but insistent return of that thrice-blessed garment, the drawstring trouser.

There is Whistles, where owner Lucille Lewin is five feet nothing, always looks immensely stylish, and is undecided about wearing a mini. She has bought a smattering of tiny skirts (most already earmarked by 18-year-old fashion editors) for her shops, and says: "There are no rules in fashion now. Women are more confident with their own style, be it long, short or trousers."

Now that women are independent and assertive, the waif-in-a-mini might have advertising appeal because this is the last female image left that allows men to feel masterful. It also goes down well with stylists, not long past their dormitory years, who feel more at home with it than with grown-up sophistication.

In other words, next spring's fashion will sort the women from the girls. And real women will be wearing the trousers.



Striped cotton shirt, £55, tartan Harris tweed waistcoat, £89



Cotton rib cardigan, £58



Dark brown fake fur-collared leather jacket, £422, worn over a wool gabardine blazer, £145

Another piece to fit the Jigsaw

A womenswear chain turns its attention to men, reports Jane Mulvagh

Something strange happened in early November: a new menswear shop was opened and there was not a polo mallet in sight. Jigsaw, a chic womenswear chain which has long been a favourite of many a fashion-

orientated working woman, has moved into menswear. With 23 women's shops already flourishing, the team behind Jigsaw decided the time had come to provide for the aspiring male chic and well-priced clothing purveyed to his sisters.

To those who have wearied of the cliché of the polo mallet - it seems to be taken for granted that this aspiring sport imparts a virile, lady-killer image on cotton-knits and moleskins - Jigsaw's marketing imagery makes a refreshing change.

Jigsaw's hero is more likely to be found in an East End boxing gym. He might have borrowed the squire's sporting fabrics - moleskins, Harris tweeds, waxed cottons - but the styling recalls Michael Caine's Alfie rather than one of the Hipwood brothers astride a polo pony.

The relatively inexpensive clothes are aimed at young, urban professionals. It arose from the constant requests by female customers for a range to suit their husbands and male friends.

Now that Paul Smith has turned his designing talents to womenswear and Agnès B has turned hers to men, the distinction between menswear and womenswear designers has broken down.

On offer are ink, post or sage Harris tweed, three-button jackets at £135, navy, indigo or parchment chunky cable knitwear (£40-70), moleskin jeans (£45), plain cotton shirts (all under £30) and waxed leather pea jackets (£422). The mood is city roughwear and it is not over-designed.

John Pawson, a 45-year-old architect known for his unremittingly restrained taste, was chosen to test-run the collection. He loathes "dressing like an architect," although he has turned the white shirt into a professional shibboleth. His first reaction was, frankly, disappointment: "Tailoring that looks good on a drawing board or a dummy rather than worn," he said.

Take the Harris tweed jackets, he said. Is there a point in buying one - even if inexpensive - if it is clumsily executed? Is not Savile Row, Daks or Oxfam a better buy, depending on your budget? Wearing the moleskin jeans, he mischievously asked: "Isn't this what you see those polo players in?"

He thought the knitwear well-designed and good value. Stroking his chest in a cable-knit Aran, he added: "I could

very happily walk home in this," and, inspecting a plain white shirt, he acknowledged that "for the price, this is pretty good." No mean tribute from Mr White Shirt himself.

While the tailoring is disappointing - a much greater sharpness is required - the knitwear is first-rate. Basics, such as t-shirts and trousers, are so-so and the leathers and suedes are excellent, especially the waxed leather pea jacket and the reeler.

Jigsaw has managed to keep its prices down because it does almost everything itself, from owning factories and making the clothes to running the shops and selling. The crucial balance between value and quality is maintained by cutting out the middleman, overseeing production and ensuring prompt delivery.

Four newly-acquired factories (for tailoring, leather, knitwear and denim) are stocked with the latest technology, such as autojigs and jet pocket machines.

Jigsaw can test prototypes on its own machines and the design team can experiment with the latest fashions in its own prints and fabrics. A substantial part of its business is based on reacting within a week or so to the latest trends from Paris, Milan or New York.

Its factories are independently accountable and must run at a profit and not be subsidised by the retail side. For that reason, extra capacity (approximately 30 per cent) is leased out.

Jigsaw is owned by John Robinson, its managing-director. Chris Bailey, the production director, has a half-share in the factories. The company has an annual turnover of £23m and is entirely self-financed - not least because British banks are usually reluctant to finance fashion projects. Like its competitor, Paul Smith, it is proud of its financial self-sufficiency.

The price/quality ratio in the Jigsaw women's range is a key ingredient in its success. It has built up an impressive bank of loyal customers, for which much praise must be given to the helpful shop assistants who wrap even a modest T-shirt in tissue paper, according to the respect of a designer

suit. Jigsaw was, rightly, short-listed for a British Fashion Award this year and although it failed to win one, it is some indication of the esteem in which it is held by the British fashion world.

The problem with the new venture is that menswear, particularly outerwear, such as jackets and suits, requires much higher standards of construction, cut and finish. Men are less inclined to buy on a fashion whim. They tend to demand longevity and, if buying a classic clothing item,

such as a Harris tweed jacket, expect it to look more than competently executed.

Chris Bailey assures me that he is well aware of this deficiency and that the standard will be vastly superior once the men's tailoring factory opens in the new year.

At the other end of the scale, the reputation for service, quality, choice and dependability earned by The Gap and Marks & Spencer for modern basics, manufactured by the million and styled as neutrally as possible, will make it hard

for Jigsaw to win part of that market for cotton polo-neck skirts, T-shirts, chinos and jeans.

Their understandably limited range cannot offer a wide choice in colour, size and leg lengths, for example.

In this environment, can Jigsaw prove that polo-free men's leisurewear can sell?

■ Jigsaw, 9-11 Floral Street, London WC2. Early next year a men and women's store is due to open in Leadenhall Market in the City of London.

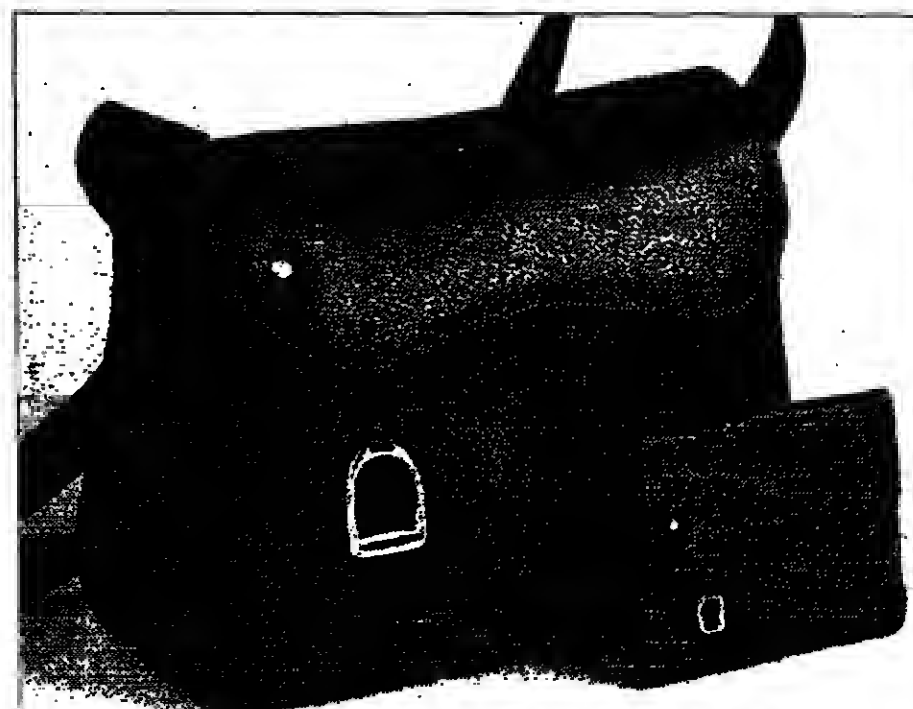
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ARTS

Why videos are not so nasty

Censorship removes insights as well as so-called 'incitements', says Nigel Andrews

Christmas approaches, season of jollity and good will, and the only video anyone is talking about is *Childs Play 3*. Did one of James Bulger's killers watch it in the days before the murder and might it have spurred him on? The boy's parents, police interviewers and lawyers all said they believed not. But that has not stopped the trial judge from rounding up the usual scapegoat and issuing another public warning about so-called Violent Videos.

Old habits die hard and it is no disincentive to our nation's wig-wearers that we live in a country whose repressive screen legislation is already a source of amazement, sometimes derision, to neighbour countries. As they note on the continent, football hooligans and violent crime statistics like Britain's are a grand advertisement for the success of a censorship-prone society.

Childs Play 3 is a foolish little shocker with two chance similarities to the Bulger case: paint thrown in victim's face, journey to murder spot. Draw a line at screen fare like this and little short of *Home Alone 2* would

escape censure.

Yet the madness of the More Censorship lobby marches on, and attempts to make them pause by raising questionable precedents have little impact on their zeal. Twenty-five years ago Mary Bell, the 11-year-old killer of two small boys, said she was inspired to her murder by watching TV's *The Saint*. Should we have banned that? And 12 years ago a US President might have avoided an assassination attempt if the films of Jodie Foster had not inspired his assassin. Should we ban *Taxi Driver* and *Bugsy Malone*? (Long before the moving image, of course, brutal murders were committed without any help from the screen. See Jack the Ripper, Lizzie Borden and company).

Imitation is the mechanism most censorship lobbyists ring alarm bells about. But imitation has little or nothing to do with most filmgoing. In the first, disgruntled yuppie Michael Douglas takes the law into his hands and goes on a citywide violence spree. In the second a serial murderer shows off his killing prowess to two camcorder-wielding friends.

Same problem. Emotion, illumination, thought-provocation for 999 viewers; blueprint for action for our lone Citizen Psychotic. If we intervened in screen culture, given these odds and unpredictable indicators, where would we stop? Why would we not hurry into oblivion other films immortalised on videotape this month? Bergman's *The Seventh Seal* (Tartan); mediaeval brutality, disease, fetishisation of death. Fellini's *La Dolce Vita* (Electric);

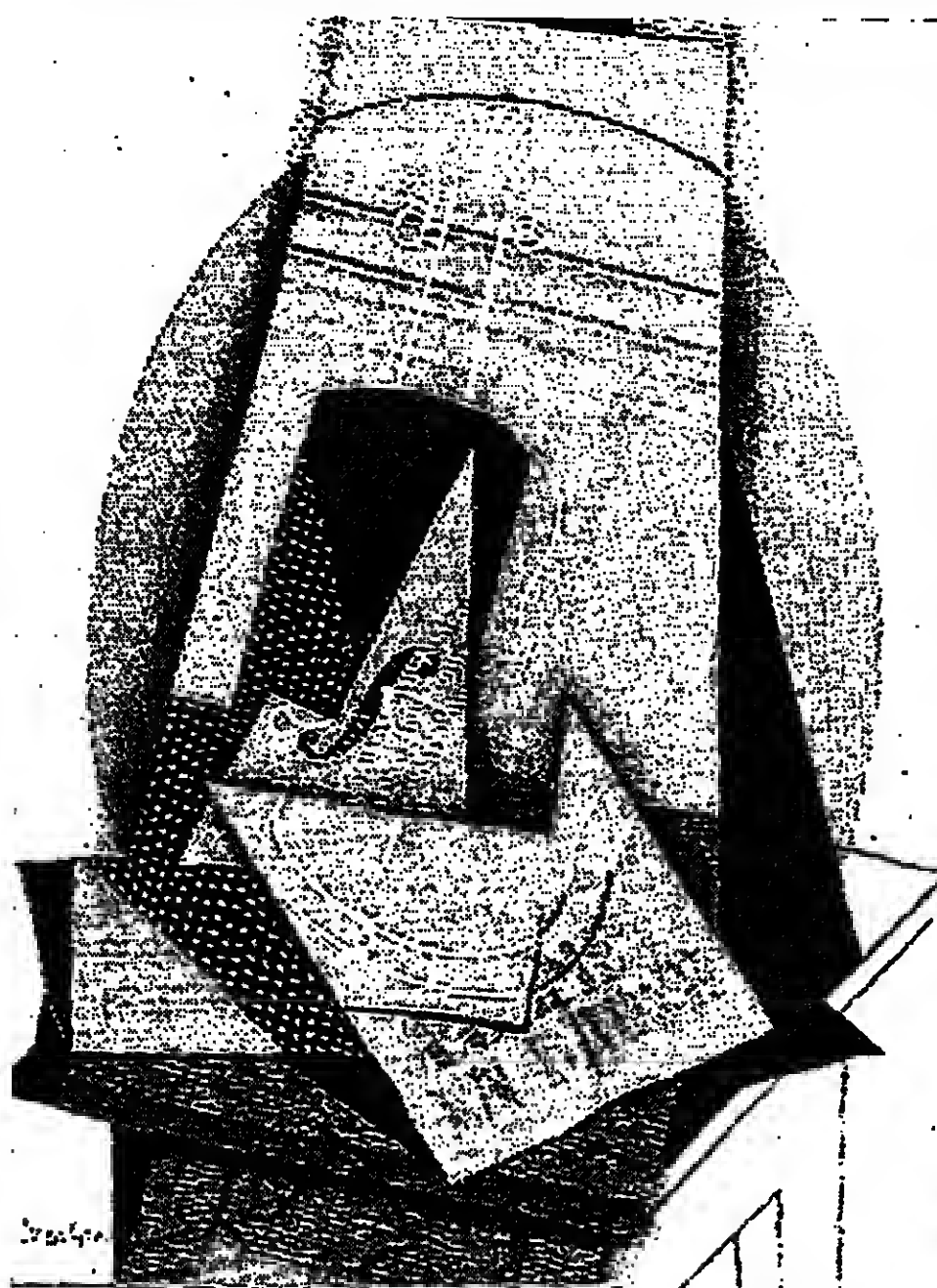
by two women - wife Vera Clouzot and schoolmistress Simone Signoret - after which he returns, or seems to return, to terrorise them.

What should we do with this film? It is a seemingly convincing dramatically; it will purvey emotion, catharsis and even psychological insights to 99.9 per cent of viewers; and yet it might be "imitated" by the other 0.1 per cent. So might more recent, populist fare like *Falling Down* (Warners) and the notorious Belgian film *Man Bites Dog* (Tartan). In the first, disgruntled yuppie Michael Douglas takes the law into his hands and goes on a citywide violence spree. In the second a serial murderer shows off his killing prowess to two camcorder-wielding friends.

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decadence and lust in swinging Rome. Sally Potter's *Orlando* (First Independent); war, transsexualism, single motherhood. Taken to its extreme, the mad logic would be unerring. We would end up having to gear all our films towards sedating the disturbed or potentially dangerous mind.

So long as violence and other aberrant behaviour, actual or arguable, exist in the world, so should their representation in our culture. The decrying of films and videos as a spur to delinquent behaviour has become a tired cliche, as lazy and irresponsible as it is unproven. "Out of sight, out of mind" is the creed of those who believe that moving images are a trigger to violent crime. But a disturbed mind will find the stimuli it wants to find, if necessary from material that can seem bafflingly innocuous to others. And the "disarmament" that is censorship can remove the insights as well as incitements offered by violent art and entertainment: leaving society's true defenders, not just society's aggressors, less well-equipped to act and think in response to the signals offered by a troubled time.



'Composition au Violon' by Juan Gris, which sold for £463,500 at Sotheby's.

Saleroom/Antony Thorncroft

Bidders are back

This was the week when London became, temporarily, the market place for the most expensive pictures in the world, the week when Sotheby's and Christie's offered high quality Impressionist, Modern and Contemporary art.

No one can pretend that the capital was awash with masterpieces. Few sellers are prepared to willingly consign their paintings to the auction rooms while the global recession still exercises some grip, and there are few desperate buyers. But at least the sales did not destroy the precarious confidence created by the previous major auctions in the summer in New York, when slightly better pictures were on offer.

Who knows, by next summer a really important painting, or two, might be risked on the open market.

Charles Allsopp, who took the major Christie's sale on Monday night, reckoned it the best he had handled in this sector since the halcyon days of 1989. "There were often plenty of bidders in the room and the dealers were back".

The most important lot, a portrait by the mysterious French post-Impressionist Henri Rousseau of the dealer Joseph Brummer sold for £2.97m. Few works by Rousseau, known as Le Douanier because he spent most of his life working as a customs officer before taking up art, arrive on the market, and this was a rather serious subject, unlike his primitive jungle scenes. It would not have sold in a depressed market.

In all the 54 lots raised £14.3m, and were 84 per cent sold by value. Christie's had judged the market to perfection and the next most impor-

tant lots, works by Klee, Kandinsky, and Chagall, each sold for over £800,000, at the lower end of their estimates. However buyers are still choosy and 15 lots were unsold.

Sotheby's fared slightly less well, bringing in £11.6m for 74 lots at its big Tuesday night auction. However, auctioneer Melanie Clore drew satisfaction from the fact that it was 78 per cent sold by value, as against 60 per cent at the comparable sale of 1992. A Renoir

landscape made £881,500, at the bottom of its estimate, but the top picture, a Kandinsky, failed to sell. Buyers were mainly private collectors, many of them fresh faces, and, not surprisingly, they favoured accessible paintings.

Oddly enough there was more interest in the sales of contemporary art. What has been an unpredictable and nervous market suddenly seems to have caught alight - perhaps late 19th and early 20th century art seems old hat. Sotheby's was very happy with its principal auction which brought in £3.8m, and was 87 per cent sold by value. A Gerhard Richter free abstract blasted its estimate, selling for £397,500, while a double self portrait by Francis Bacon was on target at £383,500. Christie's matched this with £3.7m, 92 per cent sold, and £518,500 paid for a planned down, brown, 1949 work by Dubuffet.

London needs to attract better works in this post-1970 sec-

tor if its position as a plausible competitor to New York does not slip beyond recall. The imminent imposition of VAT on imported antiques from outside the EC, even at a minimal 2 per cent, will persuade many vendors to go for the glitz of a Manhattan sale.

Meanwhile the picture dealers are concentrating on making sales by offering modestly priced works and selling them more imaginatively. Last weekend the 17 galleries which cluster together in London's Cork Street remained open all Saturday and Sunday. The event attracted a few thousand browsers and some dealers recorded more business than in a normal month.

David Messum, at The Gallery, sold 15 paintings, five priced around £2,500. Waddington Galleries disposed of six works, mostly on paper, and ranging in price from £500 to £70,000 (for a Matisse, sold to a foreign dealer) and including art by Michael Craig-Martin and William Turnbull. Browne & Darby despatched five paintings, including a still life by Leonard McComb to a buyer new to the gallery, and the Redfern nobbled up 13 sales, of which three were landscapes by Sarah Armstrong Jones.

Both to prepare for retirement in two years' time and cater for his aged Labrador which finds the stairs too much, the 66-year-old couturier recently sold his town house and is now auctioning its contents, which are estimated at FF200m.

Even this fraction of Givenchy's possessions represents the sort of sale seen once in a generation - 96 lots collected over a period of some 30 years with exquisite taste from galleries and salerooms all over

the world.

Everything was flown out to Christie's Park Avenue show-room in New York in October and also exhibited in the sumptuous Moa Bismarck Foundation in Paris - Charles Cator of Christie's said he had never seen so many big collectors turn up at viewings.

Most of the items are supremely elegant, Louis XV pieces. They include a pair of gilt-bronze, three light "girandoles" estimated FF3.5m - candlesticks supported on dragons, their tails sculpted to write down the sides of a fireplace - a pair of exceptional large porphyry vases (est. FF2.5-3m) and a Regence gilt-bronze mirror attributed to Charles Cressent (est. FF1.5-2m).

Well before it became so fashionable Givenchy collected furniture by the Parisian cabinet-maker Andre-Charles Boulle, famous for his elaborate inlays of brass and tortoiseshell. Tonight's sale includes a pair of Louis XIV medalliers by Boulle estimated FF8-800,000, similar to a pair owned by the Bibliotheque Nationale.

The last lot, the Hanover Chandelier, has a catalogue all to itself. Designed by Yorkshire architect William Kent and one of five commissioned from Hanover silversmith Balthasar Behrens in 1736-1737 by George II, it once hung in Windsor Castle, weighs 52 kilos and is estimated at FF18-22m.

Nicholas Powell

Off the Wall / Antony Thorncroft

A black day for the arts

equally important revenue source, are suffering £750m cutbacks in government aid, and that the middle classes were being financially walloped with tax increases. Already in 1993 box office takings have started to fall dramatically; 1994 could be a very bad year indeed for the arts.

As a microcosm of the crisis facing arts companies you might look at Manchester. In 1994 it is City of Drama, but one theatre, the Forum, is already dark, and another, the Library, has been warned that Manchester City Council is likely to withdraw funding, not because of doubts about its quality, but because it is a choice of saving a theatre or an old folk's home.

Even Manchester's Royal Exchange Theatre, one of the main initiators of new plays in the UK, is contemplating a season of commercially safe, small cast, productions. It will persist with a new, ambitious production of *The Count of Monte Cristo*, but around it

there will be more pot boilers than the city anticipated when it won the opportunity to be the national face of British drama. The arts do protest too much, but really a couple of million more for the Arts Council would help to cheer the nation up during what looks like a rather depressing patch.

Can you imagine London without a permanent professional opera company? Well, it could happen. Both the Royal Opera House, Covent Garden, and the English National Opera at the Coliseum are planning to close for renovation. Both expect to be open to welcome in the new Millennium, and unless there is careful planning soon their closures could overlap.

Covent Garden, with its ambitions office and shop development, will be out of action for around two years. So it needs to close in 1997. It still has to raise £150m for the venture but has promises of around £50m from its rich

friends, Mrs Vivien Duffield, and Lords Sainsbury and Rothschild. It hopes that Lottery money and the general public will provide the remainder.

The ENO has been quieter about its plans but unless around £25m is raised soon its early 20th century building could decline into squalor. It is appealing to its supporters before launching its public appeal, probably in 1995. It, too, would anticipate Lottery aid. It needs the money for such unglamorous but essential improvements as better air conditioning and more ladies' loos.

It is hoped that the two opera companies, and perhaps the Royal Ballet, will temporarily move into the Theatre Royal, Drury Lane, during the repairs.

Yesterday Mr Justice Hoffmann gave the Arts Council's music panel his decision on the future public funding of three of London's symphony orchestras. He is believed to have recommended that only one should be supported. And there are rumours that he could have come down in favour of the Philharmonia.

However, all is still to play for. The full Arts Council could decide, at its December meeting to support a package, assigning the LPO to a more independently funded South Bank, making the Philharmonia the new super orchestra; and bribing the RPO to become a Nottingham-based orchestra serving the East Midlands. This one will run and run and run.

Radio / B.A. Young

Race relations

of peaceful segregation. The city is divided by the rail track: on one side live the whites in relative prosperity, on the other, the blacks in comparative poverty. Yet there are black and white children side by side at school, and sports teams may be divided half-and-half with no trouble. A local paper, with a black editor, is notably fair. The next programme shows how the situation can deteriorate in adverse circumstances.

Radio 4 is running a serial on Wednesday afternoons, *The Crack*, four Liverpool writers to four instalments. Lightweight tales, the interest lies in the characters. In the first (FF10-12) barmy old Albert finds a corpse lying on a gravestone, but after tea at a

nunnery with Edith from the old people's home, he cares more that Dawn, a tart, should be baptised; he cares so much for baptism that he jumps into the river to simulate the ceremony for himself, but Edith drags him out.

People, more than plot, connect instalments. Next week (*Saturday*) Carol, a hairdresser in her late thirties, wonders why Joe, a former priest, should have been de-frocked. She also wants to tell her boyfriend she is pregnant, but his phone is always on the answering-machine. She is especially anxious because he has been seen with another girl. There is talk with Dawn about the gravestone body. Mustn't tell you the end, though. I have heard the next two, with modest excitement.

Director Kate Rowland tells of "the anarchy of the ordinary", and that is what *The Crack* offers.

Not so ordinary was the Monday play, *Sweet William* by Peter Thomson, about discovering Shakespeare's original script, but the story was so anarchic that the academics lacked edge. William (Kim Wall), bastard son of Samuel Ireland, a credulous Shakespearean fan seeking new items for his collection, is in his father's mould, but more inventive. On a Stratford visit, Samuel buys some curious items very cheaply (the date is 1796) but is not offered the papers from New Place, now at Compton House. William, however, secures some from his friend Mr H, who also claims to have more, including a play, *King Arthur*, in manuscript. William has been reading about Chatterton, the boy poet-suicide, and when the missing papers are publicised, he claims to have written them himself. Others are involved in the detections and deceptions, but they are barely characters at all. Nigel Bryant directed.

A taste of Givenchy

Tonight in the Metropolitan Palace Hotel, Monte Carlo, Christie's is selling furniture, silver and art works belonging to fashion designer Hubert de Givenchy, one of France's great collectors.

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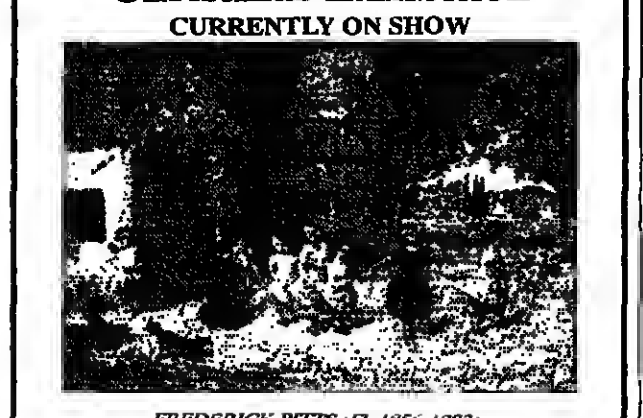
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BOOKS

Travels with Fane, Wharton and Woolf

Anthony Curtis reviews books which would make good presents

During the autumn when Bookermania is at fever-pitch some novels written on traditional lines tend to get passed over simply because they appear to be non-starters for the prize. Julian Fane's *Eleanor* (Constable, £14.99, 246 pages) which appeared in September is an example. It is the story of a girl born the wrong side of the blanket in 1906 to a woman in society who confines her to a foster home in South London. The two "Aunties" who run it serve as working-class substitutes for the real mother whose visits to her natural daughter are as infrequent as they are fraught with tension and incomprehension. Her foster-mothers may tend to spoil Eleanor, but they also encourage her to develop her gift for piano-playing. This talent, combined with her striking beauty, gives her the entry into London society and she acquires a following of rich, doting admirers.

Fane's novels have won plaudits from the likes of Lord David Cecil, Harold Nicolson, John Betjeman. In private life he is the Hon. Julian Fane, son of the 14th Earl of Westmorland and Hugo Vickers has identified Eleanor with the late Joan Droghda contributing to the inspiration behind it, with Violet

and Sidney Schiff (the writer Stephen Hudson) as among others drawn from life. Be that as it may - as one of Eleanor's counsellors might put it - this is a novel that imposes its own imaginative world upon the reader. It shuttles between the under- and the over-privileged, the sexually naive and the predatory. It contrasts the dedication required to succeed as an artist and the evanescent fame of the fashionable drawing-room. If you are looking for something to give a mother-in-law who is an incurable novel-addict, your problem may well be solved by Fane's book.

It would, surely, have appealed to that chronicler of the American upper ten, Edith Wharton. Thanks to a film, due to be released over here in January, of her novel *The Age of Innocence* directed by Martin Scorsese with Daniel Day-Lewis, several of Wharton's novels of old New York society are currently being reissued in paperback. The final novel, left unfinished at her death, *The Buccaneers*, has just been published in a version completed by the American Whartonian, Marion Mainwaring (Fourth Estate £14.99, 408 pages). Its heroine, Eleanor, is a young New York society belle whose father's money is too new. They come to London where they find

plenty of well-born hostesses and suitors prepared to waive that impediment and welcome them in. The book is an example of high comic art.

Another book that is having a renaissance because of the "cross-over" from an art-movie is Virginia Woolf's *Orlando*, a private joke that has blossomed into a money-spinner. The latest edition is in the attractive pocketable Bloomsbury Classics series, appropriately enough, at £9.95. In *Orlando* Virginia Woolf ranged across the centuries while in her own life she thought of her as belonging to a world circumscribed by central London and Sussex.

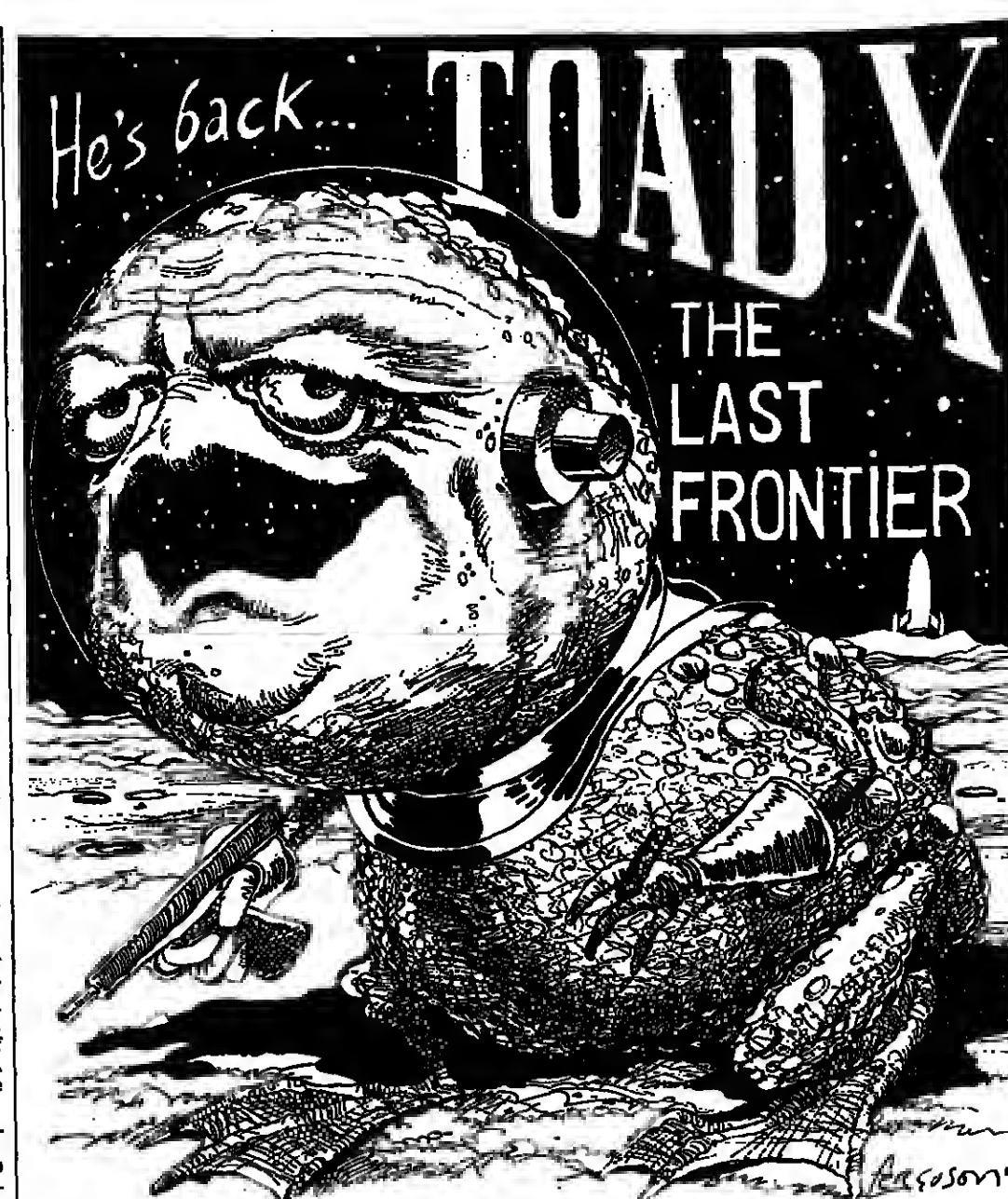
Jan Morris's ingenious contribution to the Woolf saga *Travels with Virginia Woolf* (The Hogarth Press £17.99, 245 pages) is a corrective to that view of her environment. Woolf went three times to Venice, for instance, one of them in 1912 on her honeymoon. "There never was such an amusing and beautiful place," she said. Morris has strung together her reactions to France, Germany, Italy, the Netherlands, Spain, Turkey and Greece along with her journeys throughout the British Isles.

When she was in France she stayed with Vanessa and Clive Bell at Cassis. "Ever since Cassis," she tells Vanessa "I have thought of

you as a bowl of golden water which brings but never overflows". But how did Vanessa think of sister Virginia? With the publication of *Selected Letters of Vanessa Bell* (Bloomsbury £25.00, 593 pages) edited by Regina Marler we can find the answer to that question and other outstanding ones. Here is a judicious selection of 500 letters out of 3,000; and none of them has appeared in print before.

The last member of that circle to survive today is Frances Partridge, who in her nineties is enjoying great success with the publication of her diaries chronicling the fortunes of remnant members of the group in the 1960s. The period was a shattering one for her as it saw the deaths of both her husband Ralph and their son Burgoyne who had married Henrietta, daughter of David and Angelica Garnett.

An earlier volume, *Hanging On*, covered the last 10 years of the decade; the new one *Other People* (Harper Collins £18, 297 pages) continues with the years 1963-66 when the author found the best antidote to grief was to involve herself wholeheartedly in the lives of her friends. As a diarist she is not in the Woolf class, but the book chronicles a most civilised way of life with penetrating comments on the personalities of her wide circle of friends.



Publishers try to win in the Willows

Jackie Wullschlager on the craze for the sequel

Did Elizabeth Bennett and Mr Darcy live happily ever after? Did *Toad of Toad Hall* really reform? Of course you want to know. Characters from great and much loved novels remain so vividly in our imagination that we long for them to have a future beyond the last page, outside the artistic construct in which they were created. Hence the craze for the sequel - first *Scarlett*, after *Gone With the Wind*, then *Mrs de Winter*, after *Rebecca*, and now follow-ups to *The Wind in the Willows* and *Pride and Prejudice*. To publishers, it is gold dust - *Pemberley*, published this month, has already been reprinted.

The hitch this time is that the better the original book, the less likely it is that a sequel will convince. *Pride and Prejudice* and *The Wind in the Willows* are harder acts to follow than *Rebecca*. They do not, as *Rebecca* does, leave loose ends and ambiguity as a helpful push for sequel writers. They have a tight form and an artistic cohesion which is not easily intruded upon. Their pleasures are rooted in fine and distinctive language, which it is impossible to imitate. Emma Tennant falls to understand this, and her pastiche of Jane Austen's style, form and wit in *Pemberley* is a disaster. William Horwood does see it, and *The Willows in Winter* is less ambitious. A light-hearted updating of Kenneth Grahame's Edwardian classic, it is a funny, clever book shot through with the delight of recognition.

Horwood's skill is to close the gap between us and Grahame without losing the playful Arcadian vision which suffuses *The Wind in the Willows*. He is slavishly respectful to the river setting and to the animal quartet - loyal Mole, dreamy Rat, wise Badger, bad Toad - but he

invents a run of adventures more pacy and dangerous than any Grahame would have dreamt up.

Toad graduates from motor cars to aeroplanes, predictably favouring the crash landing, which is the centre-piece of the book. Rat still dreams of the wide world beyond, but he does so while slapping about in a parachute. Mole dives underground, this time through the ice on a bad river outing. Horwood attributes gravitas and grey whiskers to the animals, and sets them against a new generation - Mole's Nephew, and the baby sister Portly, now a louché teenager. But they have

THE WILLOWS IN WINTER
by William Horwood
HarperCollins £12.99, 296 pages

PEMBERLEY
by Emma Tennant
Hodder & Stoughton £9.99, 184 pages

become not Edwardian gentlemen but reckless 1990s adolescents.

Grahame's 1908 novel is a mix of slapdash grotesque, in *Toad's* story, and spiritual longings - the ache for childhood and home; nostalgia for the changing countryside. The idea of home survives here, in the plot of animals lost and found; otherwise Horwood concentrates on comedy. He neatly reverses some famous images - Toad is disguised as a chimney sweep instead of a washerwoman - and introduces a bold colloquial idiom ("Toad's probably gassing away"). "Rat had put two and two together".

Never for a moment does this book resemble Grahame's masterpiece, the pastoral dream, the sense of hope and loss, the emblematic characters. "The child who has once met Mr Badger has got over afterwards, in its bones, a knowledge of

humanity and English history," wrote C.S. Lewis. Horwood does not try to equal this; he merely capitalises on it. Self-publicity seems to drive him - a final page invites inquiries about him to "Department Willows", c/o his publishers - but his book is affable and entertaining.

Pemberley on the other hand is an attempt at copycat creativity: Ms Tennant writes her own novel using Austen's characters. The Darcys and the Bennets, now intermarried, gather for a first Christmas at *Pemberley*, and fall out spectacularly. Jane Bingley goes into premature labour, her sister Elizabeth cannot conceive. An illegitimate child in the village may be Darcy's, but he is too proud and Elizabeth's too prejudiced to discuss it. Jane nearly dies, Lizzy runs away and decides to become a governess. Jane's serenity is restored, several banquets and many stilted 18th-century conversations later. "Do we go into your bedchamber, or do we go to separate quarters? The decision is yours, my dear Elizabeth".

This is Elizabeth Bennett and Mr Darcy transported to Georgiana Austen-style historical romance. It is thin, shallow, lifeless. Austen's spunky Elizabeth withers into a disappointed Georgian wife. Darcy is still, icy and preposterous as a snowman.

The wintry setting and Christmas ambience suggests that *Pemberley*, like *The Willows in Winter*, was published with an eye to the festive market. There is an excellent tradition of one writer transforming elements of another's work into something new and exciting - as in *Rosencrantz and Guildenstern are Dead*, *Lady Macbeth of Mienst*, Jean Rhys's *Wide Sargasso Sea* which tells the story of Jane Eyre from the mad wife angle. It does not include rewriting the classic as seasonal slush.

Confusion is the third volume of a planned quartet of novels chronicling the lives of an upper-middle class English family in the decade after 1937, covering, in fact, the last days of such an idyllically privileged caste.

Anyone unfamiliar with plucky Polly Cazalet; her unawakened but newly wed cousin Louise; her Sapphire angel of an aunt Rachel; and all the peripheral Nevilles, Angelas, and Wills who make up the costly networked family, plus the assorted retainers, would find it hard, and probably unwelcome, to catch up with the clan at this late stage. For the hundreds of thousands who have made the saga such a great publishing event no criticism would deter their appetite for more.

The Cazalets are not having an exciting war. It is Elizabeth Jane Howard's great achievement to stress the mundane, petty, tribulations of the early 1940s with meticulous accuracy. Much space is given over to food - meals of corned beef and sausage meat rissole; to shopping expeditions for bust bodices at lowly lost department stores like Pontings and Gaylor and Pope;

War with the Cazalets

Fiction

to tedious train journeys. There are impressively few deaths - matched by births and rebirths.

It is the limitations of war time, plus the natural restraints on young girls of this class (no university for them), which makes *Confusion* a more pedestrian read than its predecessors. It is still excellent historical literature but Polly and cousin Cary, obviously Ms Howard's favourite Cazalets, seem stuck in an intellectual and social gridlock.

There are signs that the writer is happier with children and emerging teenagers: the verbally direct young Neville is the star turn here - rather than with maturing adolescents. Polly and Cary's arrival in London is as dull for us as it is for

CONFUSION
by Elizabeth Jane Howard
Macmillan £14.99, 416 pages

them, although Ms Howard gives them an agreeably mysterious male protector in the middle aged Archie Lestranger: what are his intentions? does he have any?

This is probably what the War was like for most people - a time of waiting, of tedium, of coping. It is the vignettes that come across most powerfully. Vicky Cazalet makes the painful discovery at a misjudged dinner that men want more than romance, while sister-in-law Zoe,

returning from a desperate visit to her mother, reveals a ready acceptance of the fact. She is picked up on the train by an American officer, and it is American officers who credibly provide most of the glamour and excitement in the novel.

I look forward to the conclusion of the chronicle even though I am as bored with some of the characters, especially the spoilt Angela and the long suffering Hugh, as I expect Ms Howard to be. Sometimes she seems to be writing on auto-cue: the most minor character suddenly dies; the love lives of the two heroines are given a predictably mechanical twist.

It is as painless as over-hearing a long gossip about vague acquaintances, pleasantly detached from reality and hardly disturbing. But the book ends as the war ends and the action steps up again. Passions stirred, boats come in. When the Cockney Chronicle reaches the television screen, its inevitable transformation, *Confusion* will hardly merit an episode as we approach the long anticipated resolution.

Anthony Thornecroft

very good at loving. It is just as well he does love his son. Weaver returns to Munich and Lore.

Around this tale of love and betrayal, Higgins weaves a cast of extraordinary characters who dance puppet-like through the pages, always with the habit of tend to be very flesh and blood. Higgins often gets a laugh out of the physical: "Bog was starting rapidly rudely at the slowly descending stiffly corseted determined no-longer-young rump that was slowly heavily yearningly descending..." Starting from a well-observed image, he rockets into the stratosphere, leaving trails of his wit. Less amusing are little Nico's onomatopoeic stories or the pages when a heavy Irish mist seems to shroud any meaning. If you do not appreciate a chapter that opens as follows, then Higgins is not for you: "Everything is something trembling on the verge of something else, quoth Vlad the lunapaler, lepidopterist extraordinaire, with his customary pernickety presence and acumen. Illusion, froggy transience, as the very stuff of happiness." I enjoyed *Lions of the Grinewald* - in breath-holding gulps with sorties out of it for air.

Rachel Billington

LIONS OF GRINEWALD
by Aidan Higgins
Secker & Warburg £9.99, 302 pages

TELLING THE PICTURES
by Frank Delaney
HarperCollins £14.99, 414 pages

Tales of love and betrayal

innocence and beauty at odds with the raw society in which she has grown up. It takes the kiss of a handsome prince to wake her from her dream. But, since he is a Catholic, from the Republic and she is a Protestant whose father was killed by the IRA, her awakening brings tragedy rather than happiness.

Now Delaney is revealed to have a serious purpose, to be intent on revealing corruption in high places, showing the cruelty of sectarian loyalties, the bitter unfairness of Ulsterman towards Catholic. It is a black picture, turning a book that seems set to be a romance into a thriller. Delaney may not impress with stylistic fireworks, but he certainly knows how to use bleak material to shocking and (perhaps) shocking to say it is entertaining effect. Separating content and style is not a very productive exercise with Higgins. His story is slight. Profes-

These two novels seem to have nothing in common but the Irishness of their authors. Higgins writes in dense prose, "poetic" in the sense that its meaning lies in the drama of the words. During to a point that sometimes one just stops short of nonsense, he spins places, characters, events, further and further out of our grasp and then, like the master craftsman he is, whisks them back in front of us again. Delaney uses words to tell a well-worked story, the life arising from the people he has created, not in the describing of them. Higgins words will not lie still on the page. They dance and confound. Delaney writes in a near documentary style; his words know their tools.

Yet there is an unforced link between the novels. Delaney has chosen as heroine a young woman living in Belfast during the second world war who has a particular gift with words. It is Belle who "tells the pictures", experiencing her null water colleagues as she acts out the latest film showing at the Ritz. Belle is famous for this and this fame defines her whole character so that real life hardly impinges on her. For her, the film world is her chosen world and she preserves in

General Gordon - a very rum cove

J.D.F. Jones on the imperial progress of this evangelical soldier hero

General Gordon was one of our great imperial heroes but he was also a very rum cove - come to think of it, like so many of them. He was "inspired and mad", said Gladstone: the proverbialisation of Gladstone's assessment was of course responsible for Gordon's death in Khartoum in 1885, two days before the relief party arrived up the Nile.

It can be agreed that Gordon was "very eccentric to the point of being one of our great absolute sanities", according to another, more sympathetic acquaintance: he reviewed his troops in a frock coat; he fined officers a shilling if they called him "Sir"; at Khartoum he sat every night in a brightly lit window in defiance of the Mahdi's snipers; he led his men into battle carrying only a cane and a cigar (but surely that was not so unusual). Gordon is supposed to have headed the charge of the Light Brigade holding a cigar, and it has been argued that the unarmed British officers who took their companies "over the top" were somehow disorientated themselves from the villager business of slaughter.

No, the central eccentricity in Gordon's life was that he was an extreme specimen of an evangelical Christian whose faith, acquired at 21, gave him a disregard for death and a total reliance on divine destiny; sometimes it appears in his letters a deathwish. His friend Field-Marshal Lord Wolseley later wrote: "Life was to him but a Pilgrim's Progress between the years of early manhood and the heaven he now dwells in. The home he always longed for". In the meantime, Gordon was not just a brave and efficient man of war, he was also close to being a soldier of fortune - the word "mercenary" is true because he was not remotely interested in money and he was always under the War Office - who successively commanded in battle Chinese, Egyptian and African, but never British, troops, and yet he became a British military hero. It is a

good illustration of the workings of the Pax Britannica.

There have recently been a number of intelligent books about the Empire which focus in particular on the sexual ambiguity of these imperial servants. Gordon always figures prominently. Ronald Hyman, for instance, in *Empire and Sexuality*, has a list of what he calls "a-sexual" high-achievers including Gordon, Kitchener, Jowett, Twining, Rhodes, Milner, Baden-Powell, Lugard, Curzon, Churchill, Montgomery, Macmillan, etc. Evidently these men were not all suppressed homosexuals, but the implication is that they were formed so as to be able to devote their principal energies to their public role. Some of them must have been suppressing something, Gordon's particular affection, which he never concealed, was for young boys, whose welfare and moral development were his deepest

concern throughout his life.

John Pollock, in this new biography *Gordon: The Man behind the Legend*, does not belong to this generation tempted by psychoanalytic theory, and is more concerned to put down the recurrent story that Gordon was a secret drinker. There have been plenty of biographies of Gordon over the years, many of the recent ones by expatriate Anthony Nutting and Charles Chevenix-Trench are not) and Pollock's justification for yet another is that he has been able to draw heavily on the millions of words in Gordon's family letters in order to rescue "the real Gordon".

It was Lytton Strachey, in his wonderfully miscellany *Eminent Victorians* in 1918, who first raised the scandalous suggestion that the general, apart from lashing out in un-Christian temper at his ser-

vants, would sometimes seal himself in his tent with "an open Bible and an open bottle of brandy". Pollock convincingly argues against the liquor at the price of conceding that Gordon was a dangerous smoker ("... smoking knocked

GORDON: THE MAN BEHIND THE LEGEND
by John Pollock
Constable £19.95, 373 pages

off, never, DV, to be resumed, as yet it has not been my greatest trial, I can say that, as far as the flesh, I do not care for anything...") He never managed to give it up.

This is a respectful, cautious biography, untouched by Strachey's elegant intelligence, but there is a good tale to tell, deliberately uncluttered by too much analysis or interpretation. Gordon was a Sapper

who, after the Crimea, found himself in China in 1861 putting down the pseudo-Christian Taiping rebellion as commander of the foreign-officer "Ever Victorious Army". Gordon was quickly established. Then came years of fortification construction and devout social work in Gravesend - "Something broke in my heart, a palpable feeling and I knew God lived in me" - and, in 1874, the Governor-Generalship of Equatorial Province and then of the Sudan itself, absolute monarch of a country the size of Western Europe, answerable only to the Khedive in Cairo. He was 44.

Then Abyssinia (a set-back), a mistaken appointment to India, China again, a subaltern in Ireland, and Mauritius and the Seychelles where the Bible-reading soldier discovered the *Coccyz mer* and decided he had come to the

Garden of Eden. The celibate Gordon's obsession with a nut shaped unmistakably like a vulva is, to say the least, curious. After Basutoland (another mistake) and the Holy Land he almost went to work for King Leopold in the Congo, but at the last moment was diverted by Gladstone's reluctant government to Khartoum where his mission, hopelessly under-formulated by Cabinet, was to secure the retreat of Egyptian rule in favour of Sudanese independence. In essence, Gordon was expected to produce an impossible miracle.

The rest of the story is familiar, though we shall never know the true detail of Gordon's death exactly a year after he arrived in the palace overlooking the Nile. Curiously, Pollock is at his weakest in this his most dramatic episode (compare him with Thomas Pakenham's splendid *The Scramble for Africa*). We could

also have done with a posthumous chapter explaining what happened next - but the slightness of historical context is the main weakness of this readable study which is strongest in the attention it pays to Gordon's religion, his theology described by the expert Pollock as "an integrated mixture brewed from early Christian fathers, Gnostics, medieval and 17th-century mystics, Evangelicals and Tractarians" in view of all the other books, perhaps the priority is right.

One footnote: on the final voyage to Khartoum, Gordon annotated a copy of Newman's *The Dream of Gerontius*; that volume was sent to England and eventually re-published complete with the general's pencil markings; Edward Elgar was given a copy; and that inspired the Oratorio!

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In the good news/bad news debate, I stand with the good guys - those who believe that newspapers and television emphasise and exaggerate bad news at the expense of the good. One of the reasons I am a good news guy is that the bad news guys - those who thrive on bleakness and sensation and maintain, often comically, that "news" is, by definition, almost always "bad" - persistently queer my pitch.

I am no sort of optimist. I am a hard-line, short-term pessimist. But even I can see there is plenty of good news about and believe it should be reported adequately to the interests of balance.

It is a theory of mine that one of the reasons for the emphasis on bad news is that it is cheaper to

collect and present. Bad news is a commodity. It floods in from agencies. A decent famine or crash generates a tide of words and pictures which can be shovelled into a page or bulletin of almost the speed of light. Good news, conversely, often has to be mined from a deep and expensive seam. (People who work on news desks will dub this opinion "crap.") They can just join the queue.

Some days ago, *The Times* carried three useful letters on good news/bad news. One correspondent claimed that "good news is essential to foster a spirit of optimism and belief that the human race is capable of living in peace and love with another." No news desk would accept that part of its job

was to propagandise feel-good stories in the style of Big Brother, and the objection would not be pernicious.

Not a second correspondent, Charles Clayton, executive director of World Vision UK, whatever that may be, scored impressively: "Last August, British newspapers could have run the momentous headline: 'Famine defeated in southern Africa' following the UN's declaration that the threatened drought-related famine, of which we had heard so much, finally had been averted. That story, although positive, ranked as newsworthy by any standards."

By Michael Thompson-Noel



Two other examples Clayton quoted were: "Cambodian elections miraculously peaceful" and "Life and hope return to Somali villages." He said that all three stories were newsworthy in their own right, and concluded: "Accuracy and balance in individual articles

and stories is laudable. But an accurate overall balance - of good and bad news, of positive and negative developments over time - is equally important."

It is essential not to confuse good news with banal. Last April I made a meal, on the travel page, of a hideously irksome flight from London to Bali I had suffered at the hands of Garuda, Indonesia's state airline. The door-to-door travelling time was 23 hours. On and on I whinged.

In the months since then, I have flown hither and thither without a single hitch. Should I have reported this, to the interests of balance?

Absolutely not. It is the job of airlines to fly people quickly and carefully from one point to another. That is what they are for, how they make their money.

The point about the Garuda flight was that thousands of holidaymakers almost certainly did not know that their flight to Bali would stop en route in Paris, Abu Dhabi, Singapore and Jakarta, causing distress and jet-lag and going into their holidays. Garuda reacted stonily: I received a classy letter from one of the high-ups, wishing me pleasant travels the next time I flew with them.

Some media use ombudsmen to help guard readers' and viewers' interests. In future, I expect to see the appointment of good-news edi-

tors to help maintain balance. Suppose that the news editor tells the morning conference that an asteroid is heading for Manchester. Devastation is assured. He is pulling out the stops - ordering page after page of special coverage. He turns to the good-news editor: "Anything, Rodney?" (Good-news editors are bound to be called Rodney.)

Absolutely, Mark. An asteroid that wipes out Manchester suggests various important angles from the good-news perspective. First, once it is reborn, Manchester will be able to launch a viable bid for the Olympic games. There will be no more sniggering.

"Second, the obliteration of Manchester is bound to cause a steep fall in the national crime figures. And so on and so forth. Take my word, Mark: the Manchester asteroid is a good-news asteroid from where I'm sitting."

Private View/Christian Tyler

The Treasury's top mandarin answers back

Every day he gets on his bike, props a chapter of *Trollope* on the handlebars and pedals around to Land's End. "I'm nearly there now," he said proudly.

But that is not why Sir Terry Burns was looking so cheerful this week - after all, it is only an exercise bike on a statistical journey. No, he was beaming (cautiously) at press and stock market reaction to the first unified Budget under a new British chancellor, the fifth he has served.

During 11 years as chief economic adviser - he was only 25 when appointed - and nearly three as permanent secretary to the Treasury, this mandarin son of a coalmining mechanic has been regarded as the invisible hand behind the Conservative government's economic strategy. Known to his staff as plain "Terry", the permanent secretary is affable. He has a charming smile, used to good effect. As he walked about the big, overheated office, I was struck by a resemblance to his friend John Major. (Or is it the other way round?)

Sir Terry talks volubly but in a methodical, literal way with an intelligence that seemed analytical rather than imaginative. Perhaps he was more apprehensive than he looked.

Tuesday's Budget, I said, has been called pragmatic, non-doctrinal and political as well as tough. Does that mean there is less of you in it than usual?

He balked at the question. He had advised on strategy, not detail, he said; from a macro-economic point of view it was "very much the chancellor's Budget" - he also "very much in line with what we as an institution are happy with."

Sir Terry wanted to talk about his plans for sharpening the Treasury's management. I wanted to hear him talk about the big policy mistakes - from Lawson's inflationary boom to Lamont's ERM bust. The two subjects seemed in some way connected.

He has engaged Wendy Pritchard, a management consultant, to help him and his officials concentrate their minds. They want to repair their relationship with spending departments which complain of meddling, to consult more with outsiders who say they are out of touch, and make the Treasury a more agreeable workplace for the UK's best and brightest.

You want to correct the Treasury's image as an introverted, elitist organisation?

"It's not really an image I am after. What I am after is that we should do our job better. The real question is how far the criticisms of the Treasury are justified. In some respects I think they have been. It has been a relatively introverted organisation because it conducts most of its business through intermediaries."

Have you yourself become a prisoner?

"No. I don't think I have become in any sense a prisoner. I continue to go out a good deal. I have maintained a good many of my contacts and I think I've got quite good intelligence of what's going on."

The 1980 appointment of Terry Burns, a moderate monetarist and forecasting specialist from the London Business School, was a minor sensation. He was the young outsider the new Tory government needed to challenge the dominant, neo-Keynesian line. Now, in Major's classless society, he is the Establishment. Burns does not agree. The fact that he defends his department, he said, does not mean he has lost his critical faculties.

Treasury officials work hard - perhaps inefficiently hard. Sir Terry's contacts with the real world include golf on Saturday mornings, watching Queens Park Rangers play football every other Saturday afternoon, and playing music in a recorder quintet.

Jazz or classical?

He answered seriously: "No. It's classical recorder. We play a wide variety of music."

When not bicycling with *Trollope* he reads golf and computer magazines - and mountains of paperwork. Last week-end he went back to the north east where he was born to receive an honorary degree from the University of Sunderland. (His own degree is from Manchester.)

I observed that the last coal pit in the Durham coalfield is closing. Does the permanent secretary of the Treasury feel any connection to that event?

"I don't feel very closely connected because what has happened to the coal industry has been very largely to do with world trends, to do with technology, to do with the relative costs of producing energy by one means as opposed to another."

"On the other hand when I

look at what it is they have been doing to try to compensate for that, then you get into an area more closely related to what we are doing. And the overwhelming sensation I get is to be taken back by the extent of the change. I find it quite staggering to think that has all happened in the time since I left the north east."

Economist colleagues have complained that they no longer know what Terry Burns believes in. He says that is because he has been so long out of the public arena. His views, he said, were formed between 1972 and 1975, a period that included the Heath U-turn, the collapse of fixed exchange rates, the trial and failure of incomes policy, the Barber boom, the three-day week and high inflation. The combination of crude stimulus and incomes restraint while searching for a compromise via currency depreciation was "a very dangerous brew. You had to see inflation as a monetary phenomenon, and it had to be attacked by monetary policy."

Once a monetarist, always a monetarist?

"Well, I would say that most of the people I know engaged in the broad subject of macro-

monetarist pole towards Keynesian one. Rather they had converged from different starting points in a triangular fashion. 'Maybe there is greater consensus about these matters than there has been for some time.'"

You have been accused of making the mistakes for which we are now paying, I said: for failing to foresee the boom, for failing to stop it quickly enough, for focusing on single

indices, for the ERM fiasco, for your attitude to manufacturing industry and, one could add, for losing two Chancellors from under your wing. Do you accept any of those things as your personal mistakes?

"Well, with some of them, obviously. I did contribute. Whether they have had the influence that is sometimes suggested, I think is another matter. It's quite true that the forecast I was involved with in 1987-88 failed to see the scale of the boom, failed subsequently to see the scale of the recession, and you know, there is no doubt about that."

"But the forecasting industry generally over the last six or seven years has had a very difficult time, and that is not only in this country. The Treasury forecasts are no worse than forecasts generally - in fact, if anything, slightly better."

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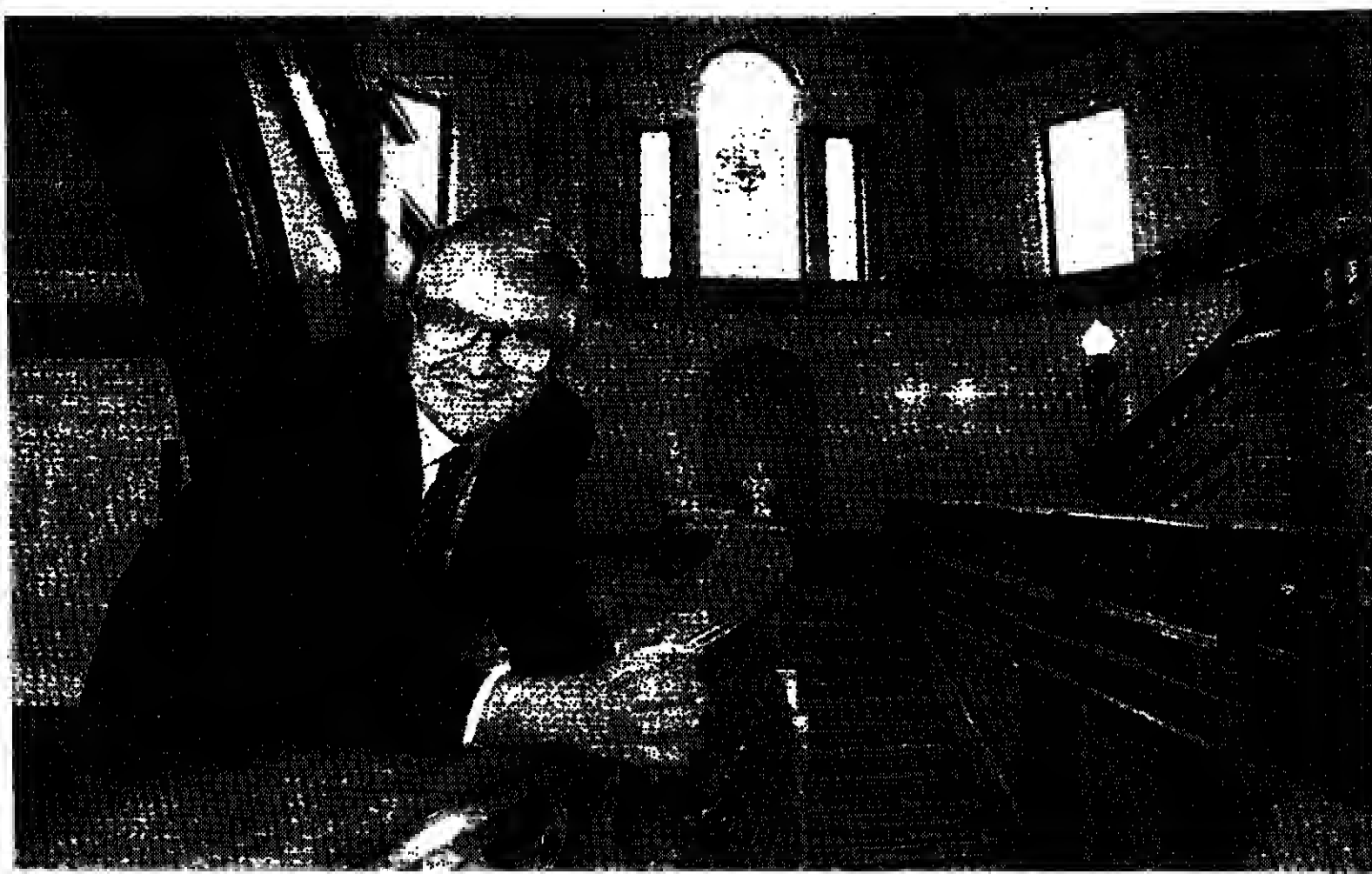
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Sir Terry Burns, the 'invisible hand' behind the Government's economic strategy, reviews past errors and says the Treasury will do better

Sir Terry Burns, the 'invisible hand' behind the Government's economic strategy, reviews past errors and says the Treasury will do better

economics have changed their views quite a lot over the last 20 years. I've covered been at all happy with this idea that you belong to schools. I've never regarded myself as belonging to a particular school, being a card-carrying member and surrounding yourself with only people who think alike."

Monetarism was "absolutely not" a right-wing phenomenon: he had always seen the danger of supporting the economics of any one political party.

"I have never had any involvement in my adult life with a party. I have always tried to incorporate within my own views the lessons from experience. How could you help but shift your views when you look at the experience and the variety of things that have happened?"

It was out, he said, that economists had moved from one,

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"Choose your drink wisely."

After all, you've got two ears and two eyes -

but only one mouth."

DR FRED LE FEVRE.
COSMETIC SURGEON, CALIFORNIA.



INTRODUCE SOME CALIFORNIAN INTO THE CONVERSATION.

E&J
SINGLE CASK MATURED BRANDY.

The Nature of Things / Clive Cookson

Science through the looking glass

Step with Alice through the looking glass and glance around the mirror image world. Though everything looks familiar, the air is full of strange and exotic scents. Peel an orange - it smells and tastes of lemon. Chew some spearmint gum - instead of a minty tang, a caraway flavour fills your mouth. Then sip some cool fresh milk... and spit it out quickly: the taste is quite disgusting. Alice was quite right to warn Kitty: "Perhaps looking-glass milk isn't good to drink."

Lewis Carroll wrote *Through the Looking Glass* soon after Victorian scientists discovered that most organic chemicals - the building blocks of life - exist in identical mirror image forms. Like a pair of right and left hands,

TELEVISION

SATURDAY

BBC1

7.00 Lancelotti. 7.25 News. 7.30 Mythical Medieval. 7.40 The Fairytale. 7.50 Peter Pan. 8.00 Tom and Jerry's Greatest Hits. 8.30 Live and Kicking.

12.15

Grandstand, including at 12.20 Football Focus: News from the FA Premiership. 12.55 Live from the Chelsea Cup Handicap Chase. 1.10 News. 1.15 Rugby Union: Preview of the afternoon game. 1.25 Racing: The 1.30 Chelsea Handicap. 1.40 Rugby Union: Build-up to this afternoon's big match. 2.00 Racing: The 2.05 Handicap Chase. 2.15 Rugby Union: The Barbarians v New Zealand live from Cardiff Arms Park. 4.10 Boxing and Siding: The best bouts from the Albert Hall, and downhill coverage from Tignes, France. 4.35 Final Score. Times may vary.

5.15

News. 5.25 Regional News and Sport. 5.30 Happy Families. 5.35 The Army. A royal VIP is about to pass through Westminster train station - can the platform move an unexpected obstacle in time to provide a guard of honour?

5.45

Noel's House Party. Comedians Little and Large come knocking on the door, racing down the stairs. Noel's House Party. Comedians Little and Large come knocking on the door, racing down the stairs.

7.45

Big Break. Snooker stars pit their skills against each other to help contestants win the mystery star prize.

8.15

Casualty. Suspicions are aroused in the Accident and Emergency Department when a woman presents her injured son requiring treatment - could the child be an abuse victim?

9.05

Harry. A local paediatric consultant asks Harry to push Harry into adopting a child, a plea ignored by the reporter as he sets off for Spain.

9.35

Match of the Day. The Road to Wembley. Action from the second round of the FA Cup.

11.30

Flint Young Billy Young. Robert Mitchum comes as an ageing gunman who takes a younger man under his wing while seeking to avenge his son's murder. Western, with Robert Walker Jr (1993).

12.55

Weather. 1.00 Close.

BBC2

6.15 Open University. 6.55 Macgregor's Scotland. 10.30 Open University. 11.00 News. 11.15 Open University. 11.30 The Young Stranger.

1.40

Swallows at the Mill. Film following the breeding cycle of a pair of swallows.

2.10

Civilisation. Sir Kenneth Clark discusses 18th century music and its influence on rococo architecture.

3.00

Somewhere I Call Home. Profile of 28-year-old Guy Crossling, who lives alone in the centre of Australia's harsh Outback.

3.30

Flint Brimstone. Alcatraz. Accused drama based on the true story of imprisoned murderer Robert Stroud, who found fame as an ornithologist while serving a 30-year stretch. Surt Lancaster takes the title role, with Karl Malden, Thelma Ritter and Edmund O'Brien (1981).

5.45

Late Again. Highlights from last week's edition of The Late Show.

6.35

Sunday. News from the influential Westminster correspondents.

7.05

News and Sport. Weather. 7.20 The Great Depression. How the Depression hit the poor hardest, with tenant farmers starving while their landlords received government subsidies. Trade unions began to attract more and more recruits, and a conflict of interests soon arose between employers and workers.

8.15

Performance. The Entertainer. Award-winning actor Michael Gambon takes the lead role in John Osborne's classic drama, following the changing fortunes of unscrupulous song-and-dance man Archie Rice, a role immortalised on film by Laurence Olivier. After a summer spent performing at a run-down variety theatre and trying to win an evening showgirl, he faces a personal crisis when his prodigal daughter Jean returns to question his lifestyle.

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LWT

6.00 GMTV. 6.25 What's Up Doc? 11.30 The TV Chart Show. 12.30 pm Aids - A New Light 3D.

1.00

ITN News. Weather. 1.05 London Today. Weather. 1.10 Champions' League Preview. Barcelona v Monaco. Werder Bremen v Anderlecht. A look towards Wednesday's matches.

1.40

Movies. Games and Videos. A review of Disney's Aladdin, and a special feature on Dr Who, including interviews with John Hurt, Colin Baker and Sylvester McCoy.

2.10

The Big Valley. A young girl, accused of causing trouble, provokes an incident which causes a man's death.

3.05

ITN News. Weather. 3.10 The Big Valley. A young girl, accused of causing trouble, provokes an incident which causes a man's death.

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CHANNEL4

6.00 Early Morning. 6.45 The American Football. 11.30 The TV Chart Show. 12.30 pm Aids - A New Light 3D.

1.00

Red's Dream. First of two computer animations by John Lasseter.

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REGIONS

ITV REGIONS AS USUAL EXCEPT AT THE FOLLOWING TIMES:

12.30

Movies, Games and Videos. 1.00 Angle News. 1.40 COPS. 2.05 Break in the Circle. (1993)

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Movies, Games and Videos. 1.00 Angle News. 1.40 COPS. 2.05 Break in the Circle. (1993)

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Movies, Games and Videos. 1.00 Angle News. 1.40 COPS. 2.05 Break in the Circle. (1993)

10.00

Movies, Games and Videos. 1.00 Angle News. 1.40 COPS. 2.05 Break in the Circle. (1993)

11.00

Movies, Games and Videos. 1.00 Angle News. 1.40 COPS. 2.05 Break in the Circle. (1993)

CHESS

At 42, Anatoly Karpov is playing like a grandmaster in his second chess youth. When Nigel Short defeated him a year ago, many believed that Karpov's career as the top was over, but he was inspired by his ambition to record 100 tournament first prizes and by his new opportunities when Gary Kasparov was stripped of his FIDE world title.

Karpov outplayed Jan Timman for the FIDE crown, while this week he reached the final at Tilburg, the chess world's strongest knock-out. It remains unclear how the FIDE-PCA schism will be resolved, but Karpov wants to rebuild his credibility for a possible reunification match with Kasparov.

Karpov's final opponent at Tilburg, Vassily Ivanchuk, was once ranked world no 2, but his results are often flawed by poor nerves. He controls the tactics started by Black's 20 Nxc3 and wins by a neat finesse at the end.

(V Ivanchuk, White: V Epishin, Black: Tilburg 1993). 1 e4 c6 2 d4 d5 3 Nc3 Nc6 4 Nf3 Nf6 5 Bg5 Nd7 6 Nf5 e6 7 Qe2 Nf6 8 Bb3 h6 9 Nf3 e5 10 d4 e5 11 Bc3 Qe7 12 Ne5 cxd4 13 Nxd4 Bc5 14 Nf3 d6 15 0-0 Rxd7 16 Bc3 Bc7 17 Bc3 Bc7 18 Nf3 Bc7 19 Kh1.

White mates in three moves, against any defence (by F Gold). This problem is harder than it looks, it has a witty solution.

Leonard Barden
Solution Page XXII

My hand today comes from rubber bridge and has interesting points of bidding and play. This is what happened at one table:

N
J 10 8 7
A K J 9
6 4
Q J 3

W
6 2
10 6 5 3
9 3 2
8 5 4

E
A 4 3
Q 8 7 2
K 8 5
7 2

S
K Q 9 5
A Q J 10
A K 10 9

With neither side vulnerable, South dealt and bidons diamond. North replied with one heart. South re-bid one spade - most players would say two spades - North raised to four spades. South bid four no-trumps and went six spades after the response of five diamonds.

West led the heart three, taken by the king, and dummy's seven of spades was led

back, holding the trick. The eight followed, East won with his ace and switched to the eight of diamonds - a good psychological play, forcing South to take an early decision.

The declarer played his ace, pulled the last trump and cashed four clubs, discarding dummy's diamond. There was now no way of making the contract and South went one down. A feeble performance.

Let us replay the hand with better technique. When dummy goes down, we have 10 top tricks and the diamond finesse will land the slam. As the cards lie, the king is outside but the finesse is not the expert line of play. We win the lead with dummy's king and st once ruff a heart with our queen of spades, returning the spade five to the seven and ace. East returns a diamond, we win with the ace, cross to the spade 10 and ruff another heart with our king of spades. We cross to the club knave, draw the last trump and slam.

E.P.C. Cotter

CROSSWORD

No. 8,323 Set by CINEPHILE

A prize of a classic Pollock Southerns 300 fountain pen, inscribed with the winner's name for the first correct solution opened and five runner-up prizes of 25 Pollock vouchers. Solutions by Wednesday December 15, marked CROSSWORD 8,323 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 8UL. Solution on Saturday December 18.

Across

1 Greater part in captain's promotion (8)
2 Record to preserve reaches deadline (3-5)
3 Sound principle for electricity supply (4,4)
4 Signaller whose field was acquired by Diem (6)
5 Sallustian makes sense - about one pound (8)
6 A crab I looked with tongue (5)
7 He hates us doing work on the kettle-holder in the corner (10)
8 Dairy product outside the ration, possibly, over the window (7,3)
9 Love and kiss at queue for soup (7)
10 Agent for English girl on a railway (8)
11 Advice on security, say, for miniature case (6)
12 Little son has a meal without using his; hotly-bitten (9)
13 Expand by rearranging detail (9)
14 Henry involved with God! There's a lot of it about (8)

Down

1 Doctor got up in a bad temper (8)
2 Psychologist leads the French in competitive sport (8)
3 Gipsy or otherwise, lots (6)
4 Number of actors or steps for entry, 1 hint (6-4)
5 I reprove characters that have gone too far (8)
6 Dictatorship about, giving for entry, 1 hint (6-4)
7 Name, say of girl, getting money order for pound sterling (8)
8 Thirty pieces of silver boomed, only bust (5,5)
9 Transport over snow keeps either half of train trained (8)
10 Judging adversely is decisive (7)
11 Maritime document is obvious (8)
12 Line on weather map, the second one has to fly around (6)
13 The chancellor's job is very demanding (6)
14 Snake has almost hypnotic effect (8)

Solution 8,323

WINNERS 8,323: Ains Gadd, Penitence in Fyde, Lancs; Cynthia Abbott, London SW1; Mrs N. Datta, London W4; I. Sigmund, Witold, London, Canada; M.R. Lees, Ipswich; Janet I. Spent, Warrim, File.